LEXINGTON REALTY TRUST
Form S-4
November 24, 2008

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**As filed with the Securities and Exchange Commission on November 24, 2008**

Registration No. 333- __________

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**FORM S-4**
**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

**LEXINGTON REALTY TRUST**
(Exact name of Registrant as specified in its governing instruments)

| | | |
|---|---|---|
| **Maryland** | **6784** | **13-371318** |
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

**One Penn Plaza**
**Suite 4015**
**New York, New York 10119-4015**
**(212) 692-7200**
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)
**T. Wilson Eglin**
**Chief Executive Officer and President**
**Lexington Realty Trust**
**One Penn Plaza**
**Suite 4015**
**New York, New York 10119-4015**
**(212) 692-7200**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

***With copies to:***
**Mark Schonberger, Esq.**
**Paul, Hastings, Janofsky & Walker LLP**
**75 East 55th Street**
**New York, New York 10022**
**(212) 318-6000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective and all other conditions of the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

**CALCULATION OF REGISTRATION FEE**

| **Title of each class of securities to be registered** | **Amount to Be Registered** | **Proposed Maximum Aggregate Offering Price (1)(2)** | **Amount of Registration Fee (3)** |
|---|---|---|---|
| Shares of beneficial interest classified as common stock, par value $0.0001 per share | 6,393,266 | $21,289,575.78 | $ 836.68 |

(1) This number is based on 6,393,266 units of limited partner interests of The Lexington Master Limited Partnership outstanding as of November 24, 2008 and not held by Lexington Realty Trust.

(2) The registration fee has been computed pursuant to Rule 457(c) and Rule 457(f)(1) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee based on the average high and low prices for shares of Lexington Realty Trust s common shares as reported on the New York Stock Exchange on November 21, 2008 ($3.33 per share) multiplied by the maximum number of units of limited partner interests of The Lexington Master Limited Partnership that may be exchanged for the securities being registered.

(3) Calculated in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant will file a further amendment which specifically states that this Registration Statement will thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement will become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information contained in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any state where an offer or solicitation is not permitted.

**PRELIMINARY SUBJECT TO COMPLETION DATED NOVEMBER 24, 2008**

**LEXINGTON REALTY TRUST**

**SPECIAL MEETING OF LIMITED PARTNERS OF**

**THE LEXINGTON MASTER LIMITED PARTNERSHIP**

To be held on December 29, 2008

This proxy statement/prospectus and the enclosed proxy card are being furnished in connection with the solicitation of proxies by The Lexington Master Limited Partnership, which we refer to as the Partnership, to be voted at a special meeting of limited partners to be held at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East $55^{th}$ Street, New York, NY 10119-4015, on Monday, December 29, 2008, at 10:00 A.M., New York City Time, and at any adjournments for the purposes set forth in the accompanying Notice of Special Meeting of Limited Partners and in this proxy statement/prospectus.

A proxy, in the accompanying form, which is properly executed, duly returned to the Partnership and not revoked, will be voted in accordance with the instructions contained therein and, in the absence of specific instructions, will be voted FOR each of the proposals, including FOR the merger of the Partnership with and into Lexington Realty Trust, which we refer to as the MLP merger, pursuant to the Agreement and Plan of Merger by and between Lexington Realty Trust and the Partnership, dated as of November 24, 2008, which we refer to as the merger agreement. Each proxy granted may be revoked at any time thereafter by writing to the Partnership prior to the meeting, or by execution and delivery prior to the meeting of a subsequent proxy or by attendance and voting in person at the meeting.

Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust, which we refer to as the General Partner, in its capacity as general partner of the Partnership, has approved the MLP merger. The General Partner has determined in its business judgment that the MLP merger is in the best interest of the Partnership and its partners.

Under Delaware law and the Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of December 31, 2006, which we refer to as the Partnership Agreement, the MLP merger may be approved by at least 50% of each class of units of limited partner interests in the Partnership, which we refer to as MLP Units, but the General Partner does not believe such approval is required for the MLP Merger. We have two classes of MLP Units outstanding: (1) Special Voting Partnership Units, which we refer to as Special Voting Units, and (2) Class A Partnership Common Units, which we refer to as Class A Units. Approval of a majority of each class is a condition to the consummation of the MLP merger under the merger agreement.

Holders of record of MLP Units at the close of business on November 24, 2008, which we refer to as the Record Date, are entitled to notice of, and to vote at, the special meeting or any adjournment. As of the record date, 72,027,245 MLP Units were issued and outstanding, including 15,535,535 Class A Units and 56,491,710 Special Voting Units.

As of the Record Date, Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust, holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust and the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.

Approval of the shareholders of Lexington Realty Trust is not required for the approval of the MLP merger. The MLP merger is only subject to the approval of the limited partners, as discussed above.

In the MLP merger, you will be entitled to receive, for (1) each whole MLP Unit, one share of beneficial interest classified as common stock of Lexington Realty Trust, par value $0.0001 per share, which is referred to herein as Common Shares, and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger.

If the closing of the MLP merger occurs on or prior to December 31, 2008, as expected, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends on the Common Shares you receive in the MLP merger, when and if authorized by Lexington Realty Trust s board of trustees.

In general, under applicable U.S. federal income tax laws and regulations, you will recognize gain or loss for federal income tax purposes when you receive Common Shares in exchange for your existing MLP Units. **We urge you to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

Questions may be directed to the Partnership at the address set forth above.

**More information about Lexington Realty Trust, the Partnership and the MLP merger is contained in this proxy statement/prospectus. We urge you to read this proxy statement/prospectus carefully, including Risk Factors on page 8 of this proxy statement/prospectus for a discussion of the risks relating to the MLP merger.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This proxy statement/prospectus is first being mailed to limited partners on or about , 2008.

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**THE LEXINGTON MASTER LIMITED PARTNERSHIP**
**NOTICE OF SPECIAL MEETING OF LIMITED PARTNERS**
**TO BE HELD ON DECEMBER 29, 2008**

NOTICE IS HEREBY GIVEN that a special meeting of limited partners of The Lexington Master Limited Partnership, a Delaware limited partnership, will be held at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, NY 10022, on Monday, December 29, 2008, at 10:00 A.M., New York City Time, to consider and act upon the following:

(1) To consider and vote on the approval of the Agreement and Plan of Merger, dated as of November 24, 2008, by and among Lexington Realty Trust and The Lexington Master Limited Partnership, a copy of which is attached as Annex A to the accompanying proxy statement/prospectus and the transactions contemplated thereby, including the merger of The Lexington Master Limited Partnership with and into Lexington Realty Trust; and

(2) To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Limited partners of record at the close of business on November 24, 2008 are entitled to receive notice of, and to vote at, the meeting and at any adjournments.

All limited partners are cordially invited to attend the meeting. Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy, which is solicited by our general partner, and mail it promptly in the enclosed envelope to make sure that the limited partner interests are represented at the meeting. In the event you decide to attend the meeting in person, you may, if you desire, revoke your proxy and vote your interests in person.

Approval of the shareholders of Lexington Realty Trust is not required for the consummation of the merger of The Lexington Master Limited Partnership with and into Lexington Realty Trust.

Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust and our general partner, has approved and recommends the merger. Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust and the holder of approximately 91.1% of the outstanding units of limited partner interest (including a majority of both classes of units limited partner interests) intends to vote its units of limited partner interest in favor of the proposals. Accordingly, unless Lex GP-1 Trust, as our general partner, withdraws its recommendation to approve, and votes against, the merger, approval of the proposals is assured.

Very truly yours,
THE LEXINGTON MASTER LIMITED PARTNERSHIP
By: Lex GP-1 Trust, General Partner
/s/ Joseph S. Bonventre
By: Joseph S. Bonventre
Secretary
New York, NY
, 2008

**IMPORTANT: The prompt return of proxies will ensure that the limited partner interests will be voted. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States.**

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## QUESTIONS AND ANSWERS ABOUT THE MLP MERGER AND THE SPECIAL MEETING

### About the MLP Merger

***Q: Why am I receiving this proxy statement/prospectus?***

A: The General Partner and the board of trustees (including all of the independent trustees) of Lexington Realty Trust, which we refer to as Lexington Trust, have each approved an agreement and plan of merger, or merger agreement, between Lexington Trust and the Partnership. The merger agreement provides for the merger of the Partnership with and into Lexington Trust, or the MLP merger.

The Lexington Trust shares of beneficial interest classified as common stock, or Common Shares, to be issued in the MLP merger can be issued without the approval of the shareholders of Lexington Trust pursuant to a registration statement, which this proxy statement/prospectus is a part of, on Form S-4 filed with the Securities and Exchange Commission, which we refer to as the SEC.

This proxy statement/prospectus is being furnished to the limited partners of record as of November 24, 2008, or the Record Date, for the purpose of voting on the following proposals:

(1) To consider and vote on the approval of the merger agreement and the transactions contemplated thereby, including the MLP merger; and

(2) To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.

This proxy statement/prospectus contains important information about the proposed MLP merger and the special meeting, and you should read it carefully.

***Q: Why has the MLP merger been proposed?***

A: The General Partner and Lexington Trust s board of trustees, which we refer to as the LXP board, have each proposed the MLP merger and determined in their respective business judgment that the MLP merger is advisable and in the best interests of the Partnership, the holders of MLP Units, Lexington Trust and the holders of Common Shares. For a description of factors considered by the General Partner and the LXP board, please see Proposal No. 1 Reasons for the MLP Merger, below.

***Q: Are there any conflicts of interest related to the MLP merger?***

A: Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other holders of MLP Units generally. These interests are discussed under Interests of Lexington Trust, below.

***Q: What will I receive in the MLP merger?***

A: In the MLP merger, you will be entitled to receive, for (1) each whole MLP Unit, one Common Share, and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, Lexington Trust will forward payments to such holders of fractional interests.

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***Q: What will holders of Lexington Trust Common Shares receive in the MLP merger?***
A: Holders of Lexington Trust Common Shares will not receive any additional shares or other consideration in connection with the MLP merger. Each Common Share will continue to represent one Common Share after the consummation of the MLP merger.
***Q: Will I continue to receive distributions prior to the MLP merger?***
A: If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of the LXP board and the General Partner, as applicable.
***Q: What will happen to the Partnership if the MLP merger is not completed?***
A: If Lexington Trust determines that it is no longer advisable to complete the MLP merger, the merger agreement will terminate and the MLP merger will not be completed. In such event, you will remain a holder of MLP Units entitled to the rights and benefits under the Partnership Agreement.
***Q: Do I have appraisal rights in connection with the MLP merger?***
A: No. The Partnership was formed under Delaware law. Under Delaware law, a partnership agreement or an agreement of merger or consolidation may provide that contractual appraisal rights with respect to a partnership interest or another interest in a limited partnership will be available for any class or group or series of partners or partnership interests in connection with any merger or consolidation in which the limited partnership is a party to the merger or consolidation. Neither the Partnership Agreement, nor the merger agreement, provides for contractual appraisal rights.
***Q: Will I recognize taxable gain or loss for U.S. federal income tax purposes as a result of the MLP merger?***
A: Yes. In general, applicable U.S. federal income tax laws and regulations, you will recognize a gain or loss for federal income tax purposes upon exchange of your MLP Units for Common Shares. **We urge you to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

**About the Special Meeting**

***Q: Where and when is the special meeting?***
A: The special meeting will take place at the New York offices of Paul, Hastings, Janofsky & Walker LLP, located at 75 East 55th Street, New York, New York 10022, on Monday, December 29, 2008, at 10:00 a.m. local time.
***Q: Who is entitled to vote?***
A: Holders of record of MLP Units at the close of business on November 24, 2008, the Record Date, are entitled to vote at the special meeting. As of the Record Date, there were 15,535,535 Class A Units outstanding and 56,491,710 Special Voting Units outstanding. Lex LP-1 Trust held a majority of both classes and intends to vote in favor of all proposals. Accordingly, unless the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.
***Q: How do I cast my vote?***

A: You may vote as follows:
**Mail:** Vote, sign, date your proxy card and mail it in the postage-paid envelope.
**In Person:** Vote at the Annual Meeting.
**By Telephone:** Call toll-free 1-866-540-5760 and follow the instructions. You will be prompted for certain information that can be found on your proxy card.
**Via Internet:** Log on to *www.proxyvoting.com/lxp* and follow the on-screen instructions. You will be prompted for certain information that can be found on your proxy card.

***Q: What vote is required?***

A: Under Delaware law, unless otherwise provided in the partnership agreement, a merger or consolidation must be approved (1) by all general partners and (2) by the limited partners or, if there is more than one class or group of limited partners, then by each class or group of limited partners, in either case, by limited partners who own more than 50 percent of the then current percentage or other interest in the profits of the limited partnership owned by all of the limited partners or by the limited partners in each class or group, as appropriate.

The Partnership Agreement provides the General Partner with full power and authority to merge the Partnership into another entity, but the General Partner may not permit the Partnership to be a party to a merger pursuant to which the MLP Units are converted or changed into or exchanged for securities of another operating partnership in an UPREIT or similar structure without the affirmative vote of the holders of at least a majority-in-interest of the limited partners, unless upon consummation of such merger, the holders of MLP Units will receive shares of stock or beneficial interest or other equity securities of the parent REIT of such operating partnership with preferences, rights and privileges not materially inferior to the preferences, rights and privileges of Common Shares. In the MLP merger, the holders of MLP Units will receive Common Shares; therefore, we do not believe that approval by the limited partners is required under the Partnership Agreement or Delaware law.

Nonetheless, the General Partner is soliciting your vote because the merger agreement requires that the General Partner obtain the approval of the holders of at least a majority of each class of the MLP Units.

As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner publicly withdraws its recommendation of the MLP merger, approval of the proposals is assured.

***Q: Can I change my vote after I have granted my proxy?***

A: Yes. You may revoke your proxy and change your vote at any time before your proxy is voted at the special meeting. To revoke your proxy instructions, you must: (i) so advise the General Partner s Secretary, Joseph S. Bonventre, c/o The Lexington Master Limited Partnership, One Penn Plaza, Suite 4015, New York, NY 10119-4015 in writing before your MLP Units have been voted by the proxy holders at the meeting; (ii) execute and deliver a subsequently dated proxy; or (iii) attend the meeting and vote your MLP Units in person.

***Q: What happens if I hold MLP Units and I do not indicate how I want to vote, do not vote or abstain from voting on the proposals?***

A: If you sign and send in your proxy but do not indicate how you want to vote on the proposals, your proxy will be voted in favor of all of the proposals on which a vote will take place at the special meeting. If you do not submit your proxy and do not attend the special meeting, your MLP Units will count as a vote against the proposals.

***Q: Will anyone contact me regarding this vote?***

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A: In addition to the solicitation of proxies by use of the mails, the General Partner and officers and regular employees of Lexington Trust may solicit proxies by telephone, facsimile, e-mail, or personal interviews without additional compensation. We reserve the right to engage solicitors and pay compensation to them for the solicitation of proxies.

***Q: Who has paid for this proxy solicitation?***

A: The Partnership and Lexington Trust will share the cost of preparing, printing, assembling and mailing the proxy card, the proxy statement/prospectus and other materials that may be sent to limited partners in connection with this solicitation.

**How to Get More Information**

***Q: Who can answer my questions?***

A: If you have questions about the MLP merger or want additional copies of this proxy statement/prospectus or additional proxy cards should contact: Investor Relations, The Lexington Master Limited Partnership, One Penn Plaza, Suite 4015, New York, NY 10119-4015, Telephone (212) 692-7200.

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## SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. You should carefully read this entire proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers for a more complete understanding of the matters being considered at the special meeting. In addition, we incorporate important business and financial information about the Partnership and Lexington Trust set forth in Annexes B and C to this proxy statement/prospectus. For more information about the Partnership and Lexington Trust, including where you can find the incorporated information, see the section of this proxy statement/prospectus entitled  Where You Can Find More Information,  below.

### Special Meeting

This proxy statement/prospectus is being furnished to the limited partners of record as of November 24, 2008, or the Record Date, for the purpose of voting on the following proposals:

(1) To consider and vote on the approval of the merger agreement and the transactions contemplated thereby, including the MLP merger; and

(2) To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The special meeting will take place at the New York offices of Paul, Hastings, Janofsky & Walker LLP, located at 75 East 55th Street, New York, New York 10022, on Monday, December 29, 2008, at 10:00 a.m. local time.

### Parties to the MLP Merger

Lexington Realty Trust, or Lexington Trust, is a self-managed and self-administered real estate investment trust, or a REIT, formed under the laws of the State of Maryland. Lexington Trust s primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial properties. The principal executive offices of Lexington Trust are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015, and its telephone number is (212) 692-7200.

The Partnership was organized in October 2001 as a Delaware limited partnership to facilitate the January 2002 exchange transaction in which 90 limited partnerships were merged into the Partnership and the Partnership acquired various other assets related to its management and capital structure. The Partnership owns commercial properties, most of which are leased to investment grade corporate tenants, as well as other real estate assets. Lexington Trust is the parent of the General Partner and the holder of approximately 91.1% of the outstanding MLP Units. The Partnership s principal executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015, and its telephone number is (212) 692-7200.

### MLP Merger

The merger agreement provides for the merger of the Partnership with and into Lexington Trust, with Lexington Trust as the surviving entity.

### MLP Merger Approval Requirement

The merger agreement requires that the General Partner obtain the approval of the holders of at least a majority of each class of MLP Units. The approval of Lexington Trust shareholders is not required for the consummation of the MLP merger.

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As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.

**Record Date**

The General Partner has set the close of business on November 24, 2008 as the Record Date for limited partners who are entitled to notice of the action to be taken at the special meeting.

**MLP Merger Consideration**

In the MLP merger, holders of MLP Units will be entitled to receive, for (1) each whole MLP Unit, one Common Share and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger.

**Distributions**

If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of the LXP board and the General Partner, as applicable.

**Conflicts of Interest**

Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other holders of MLP Units generally. These interests are discussed under Interests of Lexington Trust, below.

**Material Tax Consequences of the MLP Merger**

The MLP merger will have tax consequences for holders of MLP Units. The receipt of Common Shares in exchange for existing MLP Units and cash in exchange for fractional MLP Units generally will be taxable for federal income tax purposes. See United States Federal Income Tax Considerations, below. **Your tax consequences will depend on your personal situation. You are urged to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

**Recommendation of the General Partner**

The General Partner and the LXP board (including all of the independent trustees) have each approved the merger agreement, the MLP merger and the related transactions. The General Partner has declared that the merger agreement, the MLP merger and the related transactions are advisable and fair to, and in the best interests of, the Partnership and its partners.

**The General Partner recommends that holders of MLP Units vote FOR the approval of the merger agreement, the MLP merger and the related transactions.**

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## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following information is provided to assist you in your analysis of the financial aspects of the MLP merger. This information has been derived from the audited consolidated financial statements for the years ended December 31, 2003 through 2007 of each of Lexington Trust and the Partnership and from the unaudited condensed consolidated financial statements for the nine months ended September 30, 2007 and 2008 of each of Lexington Trust and the Partnership.

This information is only a summary. You should read it along with, as applicable, Lexington Trust s or the Partnership s historical financial statements and related notes and the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in the periodic reports filed by Lexington Trust and the Partnership with the SEC. Please see Where You Can Find More Information, below. Historical operating results are not necessarily indicative of future results. For a discussion of certain factors that may materially affect the comparability of the selected historical financial information or cause the data reflected herein not be indicative of future financial condition or results of operations, please see Risk Factors, below.

**For Lexington Trust:**

| | Years Ended December 31, | | | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2005** | **2004** | **2003** | **2008** | **2007** |
| | (in thousands, except per share data) | | | | | (in thousands, except per share data) | |
| Total gross revenues | $ 431,747 | $ 186,693 | $162,383 | $109,901 | $ 73,999 | $ 340,632 | $ 304,099 |
| Expenses applicable to revenues | (297,139) | (106,796) | (81,645) | (37,581) | (24,568) | (252,400) | (206,767) |
| Interest and amortization expense | (163,628) | (65,097) | (56,177) | (36,448) | (25,609) | (120,519) | (114,747) |
| Income (loss) from continuing operations | (10,783) | (7,909) | 17,606 | 27,021 | 15,873 | 15,235 | 1,272 |
| Total discontinued operations | 87,634 | 15,662 | 15,089 | 17,786 | 17,776 | 4,585 | 44,345 |
| Net income | 76,851 | 7,753 | 32,695 | 44,807 | 33,649 | 19,820 | 45,617 |
| Net income (loss) allocable to common shareholders | 50,118 | (8,682) | 16,260 | 37,862 | 30,257 | 5,211 | 25,919 |
| Income (loss) from continuing operations per common share basic | (0.58) | (0.47) | 0.03 | 0.43 | 0.37 | 0.01 | (0.28) |
| Income (loss) from | (0.58) | (0.47) | 0.03 | 0.41 | 0.36 | (0.14) | (0.28) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| continuing operations per common share diluted | | | | | | | |
| Income from discontinued operations per common share basic | 1.35 | 0.30 | 0.30 | 0.38 | 0.52 | 0.07 | 0.67 |
| Income from discontinued operations per common share diluted | 1.35 | 0.30 | 0.30 | 0.39 | 0.52 | 0.07 | 0.67 |
| Net income (loss) per common share basic | 0.77 | (0.17) | 0.33 | 0.81 | 0.89 | 0.08 | 0.39 |
| Net income (loss) per common share diluted | 0.77 | (0.17) | 0.33 | 0.80 | 0.88 | (0.07) | 0.39 |

(Continues)

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| | Years Ended December 31, 2007 | 2006 | 2005 | 2004 | 2003 | Nine Months Ended September 30, 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| | (in thousands, except per share data) | | | | | (in thousands, except per share data) | |
| Cash dividends declared per common share | $ 3.60 | $ 2.0575 | $ 1.445 | $ 1.41 | $ 1.355 | $ 0.99 | $ 1.125 |
| Net cash provided by operating activities | 287,651 | 108,020 | 105,457 | 90,736 | 68,883 | 187,412 | 235,893 |
| Net cash provided by (used in) investing activities | (31,490) | (154,080) | (643,777) | (202,425) | (295,621) | 200,751 | (316,419) |
| Net cash (used in) provided by financing activities | 38,973 | 483 | 444,878 | 242,723 | 228,986 | (692,230) | 224,041 |
| Real estate assets, net | 3,729,266 | 3,475,073 | 1,651,200 | 1,240,479 | 1,001,772 | 3,396,790 | 4,257,884 |
| Investments in non-consolidated entities | 226,476 | 247,045 | 191,146 | 132,738 | 69,225 | 205,021 | 173,742 |
| Total assets | 5,265,163 | 4,624,857 | 2,160,232 | 1,697,086 | 1,207,441 | 4,294,332 | 5,667,491 |
| Mortgages, notes payable and credit facility, including discontinued operations | 3,047,550 | 2,132,661 | 1,170,560 | 765,909 | 551,385 | 2,481,575 | 3,320,264 |
| Shareholders equity | 939,071 | 1,122,444 | 891,310 | 847,290 | 579,848 | 924,002 | 1,110,607 |
| Preferred share liquidation preference | 389,000 | 234,000 | 234,000 | 214,000 | 79,000 | 363,915 | 389,000 |

**For the Partnership:**

| | Years Ended December 31, 2007 | 2006 | 2005 | 2004 | 2003 | Nine Months Ended September 30, 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| | (in thousands, except per unit data) | | | | | (in thousands, except per unit data) | |
| **Operating Data** | | | | | | | |
| | $ 207,804 | $ 160,306 | $ 144,879 | $ 147,816 | $ 161,492 | $ 186,158 | $ 143,879 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total gross revenues | | | | | | | |
| Income from continuing operations | 85,232 | 32,735 | 24,437 | 44,641 | 51,021 | 2,429 | 72,530 |
| Net income | 151,450 | 129,342 | 49,295 | 137,808 | 145,164 | 39,551 | 109,947 |
| Net income per unit (1) (2) | 2.71 | 2.51 | 1.23 | 3.60 | 3.78 | 0.56 | 2.01 |
| Cash distributions per unit (1) (2) | 3.60 | 2.06 | 1.33 | 1.20 | 0.91 | 0.99 | 1.13 |
| Weighted average units outstanding (1) (2) | 55,923 | 51,519 | 40,081 | 38,311 | 38,381 | 70,923 | 54,742 |
| **Balance Sheet Data** | | | | | | | |
| Real estate investments, at cost | 1,829,478 | 1,452,851 | 1,457,603 | 1,578,182 | 1,655,430 | 1,790,167 | 1,859,791 |
| Real estate investments, net of accumulated depreciation | 1,409,819 | 977,625 | 913,518 | 1,032,797 | 1,129,237 | 1,363,809 | 1,377,390 |
| Total assets | 2,342,944 | 1,396,272 | 1,306,953 | 1,237,129 | 1,384,094 | 1,924,087 | 2,123,901 |
| Total debt | 1,446,622 | 838,734 | 770,786 | 907,339 | 1,104,231 | 1,250,103 | 1,407,322 |
| Partners equity | 564,401 | 491,474 | 461,184 | 203,785 | 98,864 | 562,352 | 616,348 |

(1) Adjusted to reflect the 7.5801 to 1 unit split of the outstanding units on November 7, 2005.

(2) Adjusted to reflect the 0.80 to 1 unit split of outstanding units on December 31, 2006.

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## SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL AND OTHER DATA

The following table shows information about Lexington Trust s financial condition and results of operations, including per share data, after giving effect to the consummation of the MLP merger. The table sets forth the information as if the MLP merger had become effective on September 30, 2008, with respect to the balance sheet information, and as of January 1, 2007, with respect to the income statement information. The pro forma financial data presented were prepared in accordance with Article 11 of SEC Regulation S-X. The MLP merger will be accounted for as a redemption of the minority interest s MLP Units in the MLP merger using the carrying value of the MLP Units.

The information is based on, and should be read together with, the historical financial statements, including the notes thereto, of each of Lexington Trust and the Partnership included in Annexes B and C, respectively, and the more detailed unaudited pro forma financial information, including the notes thereto, appearing elsewhere in this proxy statement/prospectus. See Where You Can Find More Information and Unaudited Pro Forma Combined Condensed Consolidated Financial Statements.

We anticipate the MLP merger to provide the combined company with financial benefits that include cost savings opportunities. The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect benefits of expected cost savings opportunities and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

| | **Pro Forma Combined (Unaudited, dollars in thousands)** | |
|---|---|---|
| | **Year ended December 31, 2007** | **Nine months ended September 30, 2008** |
| Total gross revenues | $ 431,747 | $ 340,632 |
| Interest and amortization expense | (163,628) | (120,519) |
| Loss from continuing operations | (13,376) | (67) |
| Loss from continuing operations per common share basic | (0.40) | (0.15) |
| Loss from continuing operations per common share diluted | (0.40) | (0.15) |
| Real estate assets, net | | 3,396,790 |
| Investments in non-consolidated entities | | 205,021 |
| Total assets | | 4,294,332 |
| Mortgages and notes payable | | 2,052,955 |
| Shareholders equity | | 1,453,094 |

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## COMPARATIVE PER SHARE/UNIT DATA

The following table presents, for the periods indicated, selected historical per share/unit data for Common Shares and MLP Units. You should read this information in conjunction with, and the information is qualified in its entirety by, the consolidated financial statements and accompanying notes of Lexington Trust and the Partnership contained in periodic reports filed by Lexington Trust and the Partnership. Please see Where You Can Find More Information, below.

| | Nine Months Ended September 30, 2008 | Year Ended December 31, 2007 |
|---|---|---|
| *Lexington Trust Historical* | | |
| Income (loss) from continuing operations per common share basic | $ 0.01 | $ (0.58) |
| Loss from continuing operations per common share diluted | $ (0.14) | $ (0.58) |
| Book value per share at period end | $ 14.07 | $ 15.38 |
| *The Partnership Historical* | | |
| Income per basic unit from continuing operations | $ 0.04 | $ 1.53 |
| Income per diluted unit from continuing operations | $ 0.04 | $ 1.53 |
| Book value per unit at period end | $ 7.81 | $ 8.25 |
| *Unaudited Pro Forma Combined* | | |
| Loss from continuing operations per common share basic | $ (0.15) | $ (0.40) |
| Loss from continuing operations per common share diluted | $ (0.15) | $ (0.40) |
| Book value per share at period end | $ 14.57 | N/A |

## MARKET PRICES AND DIVIDEND INFORMATION

Common Shares are traded on the New York Stock Exchange under the symbol LXP . MLP Units are not traded on any exchange. The following table shows, for the periods indicated: (i) the high and low sales prices per Common Share as reported on the New York Stock Exchange and (ii) the cash dividends paid per Common Share and the distributions paid per MLP Unit. There is no trading market for the MLP Units.

| | Common Shares | | | MLP Units | | |
|---|---|---|---|---|---|---|
| | High | Low | Dividends | High | Low | Distributions |
| **2007** | | | | | | |
| First Quarter | $22.42 | $20.02 | $0.5975 | | | $0.5625(1) |
| Second Quarter | $21.65 | $20.38 | $ 0.375 | | | $ 0.375 |
| Third Quarter | $21.54 | $18.78 | $ 0.375 | | | $ 0.375 |
| Fourth Quarter | $20.90 | $14.52 | $ 0.375 | | | $ 0.375 |
| **2008** | | | | | | |
| First Quarter | $16.11 | $12.40 | $ 2.475 | | | $ 2.475 |
| Second Quarter | $15.77 | $13.55 | $ 0.33 | | | $ 0.33 |
| Third Quarter | $17.24 | $11.82 | $ 0.33 | | | $ 0.33 |
| Fourth Quarter (through November 21, 2008) | $16.85 | $ 2.99 | $ 0.33 | | | $ 0.33 |

(1) Represents final distribution by the Partnership

(then known as The Newkirk Master Limited Partnership) prior to Lexington Trust s merger with Newkirk Realty Trust, Inc.

**DIVIDEND POLICY**

The LXP board determines the time and amount of dividends to holders of Common Shares. Generally, distributions to holders of MLP Units are made at the same time and in the same amount as distributions to holders of Common Shares. Future Lexington Trust dividends will be authorized at the discretion of the LXP board and will depend on Lexington Trust s actual cash flow, its financial condition, its capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and such other factors as the LXP board may deem relevant.

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If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of the LXP board and the General Partner, as applicable.

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## RISK FACTORS

*The MLP merger involves certain risks and other adverse factors. You are urged to read this proxy statement/prospectus carefully in its entirety, including all annexes and supplements hereto and including the matters addressed in Warning About Forward-Looking Statements, and should carefully consider the following risk factors in evaluating the MLP merger.*

*The risks below relate primarily to the MLP merger and the combined company resulting from the MLP merger. This section does not review risks relating to the existing businesses of Lexington Trust, which risks will also affect the combined entity, and which are set forth in Lexington Trust s Current Report on Form 8-K filed with the SEC on June 25, 2008 and Quarterly Report on Form 10-Q filed with the SEC on November 10, 2008, both of which are included as part of Annex B to this proxy statement/prospectus.*

***After the MLP merger is completed, holders of MLP Units will become shareholders of Lexington Trust and will have different rights that may be less advantageous than their current rights.***

After the closing of the MLP merger, holders of MLP Units will become holders of Common Shares. Lexington Trust is a Maryland real estate investment trust and the Partnership is a Delaware limited partnership. Differences in Lexington Trust s Amended and Restated Declaration of Trust, which we refer to as the LXP declaration, and Lexington Trust s By-laws, which we refer to as the LXP bylaws, and the Partnership s Partnership Agreement and Certificate of Limited Partnership will result in changes to the rights of holders of MLP Units when they become holders of Common Shares. A holder of MLP Units may conclude that its current rights under the Partnership s Partnership Agreement and Certificate of Limited Partnership are more advantageous than the rights they may have under the LXP declaration and the LXP bylaws. See Comparison of Ownership of MLP Units and Common Shares, below.

***You generally will recognize taxable gain or loss for U.S. federal income tax purposes as a result of the MLP merger.***

In general, under applicable U.S. federal income tax laws and regulations, you will recognize a gain or loss for federal income tax purposes upon exchange of your MLP Units for Common Shares. **We urge you to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

***Lexington Trust has interests in the merger that may be different from, or in addition to, the interests of other holders of MLP Units generally.***

Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other holders of MLP Units generally. The General Partner and the LXP board were aware of these interests and considered them, among other matters, in approving the MLP merger. These interests are discussed under Interests of Lexington Trust, below.

Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Trust and the holder of approximately 91.1% of the outstanding MLP Units (including a majority of the Class A Units and the Special Voting Units) intends to vote its MLP Units in favor of the proposals.

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## BACKGROUND OF THE ACTIONS

### Background of Lexington Trust s Acquisition of MLP Units

The Partnership was formed in October 2001 and commenced operations on January 1, 2002 following the completion of a transaction that we refer to as the exchange, involving the merger into the Partnership s wholly-owned subsidiaries of 90 limited partnerships, each of which owned commercial properties, and the acquisition by the Partnership of various assets, including those related to the management or capital structure of those partnerships. In connection with the exchange, limited partners of the merged partnerships and equity owners of the entities that contributed other assets in the exchange received MLP Units in consideration of the merger and contributions. From January 1, 2002 to November 7, 2005, the General Partner was MLP GP LLC, an entity effectively controlled by affiliates of Apollo Real Estate Fund III, L.P., Winthrop Realty Partners L.P. (formerly known as Winthrop Financial Associates), executive officers, and affiliates of Vornado Realty Trust.

In connection with the exchange and because there were existing tax protection agreements with respect to certain of the 90 limited partnerships, MLP GP LLC agreed not to sell any of the Partnership s properties prior to January 15, 2004 (the latest expiration date of the existing tax protection agreements) or, if earlier, the expiration of the initial lease term, unless (1) the property was sold pursuant to an exercise of a purchase option, an economic discontinuance right by a tenant under an existing lease or a lease termination, or (2) MLP GP LLC determined that a sale is necessary in order to avoid the loss of the Partnership s investment in a property. No tax protection agreements were entered into between the Partnership or the General Partner, on the one hand, and any limited partner on the other hand, that expired after January 15, 2004.

Effective November 7, 2005, (1) Newkirk Realty Trust, Inc., or Newkirk, became the General Partner and, in connection with its initial public offering, or the Newkirk IPO, acquired MLP Units in exchange for a contribution to the Partnership of cash and certain exclusivity rights with respect to net-lease business opportunities and (2) NKT Advisors LLC was retained as the Partnership s external advisor pursuant to an Advisory Agreement among Newkirk, the Partnership and NKT Advisors LLC. Upon completion of the Newkirk IPO and related transactions, Newkirk held 30.1% of the then total outstanding MLP Units.

Effective December 31, 2006, Newkirk was merged into Lexington Corporate Properties Trust. In connection with this merger, (1) the Advisory Agreement was terminated, (2) Lexington Corporate Properties Trust changed its name to Lexington Realty Trust, or Lexington Trust, (3) Lex GP-1 Trust became the Partnership s sole general partner and Lex LP-1 Trust acquired 31.0% of the then outstanding MLP Units, and (4) the Partnership effected a reverse MLP Unit split in which each MLP Unit then outstanding was converted into 0.8 MLP Units.

In June 2007, the Partnership entered into purchase agreements with Lexington Trust and the Common Retirement Fund of the State of New York, which we refer to as NYCRF, Lexington Trust s 66.67% partner in one of its co-investment programs, whereby, after certain assets were distributed to Lexington Trust and NYCRF, the Partnership acquired 100% of the interests in the co-investment program. Accordingly, the Partnership became the owner of ten primarily single tenant net leased real estate properties. The Partnership acquired the properties through (1) a cash payment of approximately $117.8 million, (2) an issuance of approximately 3.1 million MLP Units to Lexington Trust, and (3) the assumption of approximately $169.2 million in non-recourse mortgage debt.

Also in June 2007, the Partnership entered into a transaction with Lexington Trust and affiliates of Clarion Lion Properties Fund, Lexington Trust s 70% partner in another one of its co-investment programs, whereby the Partnership acquired a 100% interest in six primarily single tenant net leased real estate properties held by the co-investment program. The acquisition was effected through (1) a cash payment of $6.6 million, (2) an issuance of 4.1 million MLP Units to Lexington Trust, and (3) the assumption of approximately $94.2 million of non-recourse mortgage debt.

On December 20, 2007, in connection with the formation of Net Lease Strategic Assets Fund L.P., one of the Partnership s co-investment programs which we refer to as NLS, Lexington Trust contributed eight properties to the Partnership in exchange for approximately 5.1 million MLP Units and the assumption of approximately $77.3 million in non-recourse mortgage debt. Following this transaction, the eight properties were immediately contributed to NLS.

On December 31, 2007, Lexington Trust also contributed two properties to the Partnership in exchange for approximately 4.6 million MLP Units and the assumption of $136.3 million in non-recourse mortgage debt.

On March 25, 2008, Lexington Trust contributed four properties to the Partnership in exchange for approximately 3.6 million MLP Units and the assumption of $51.0 million in non-recourse mortgage debt. These properties were immediately contributed to NLS.

During October 2008, the Partnership s then three largest MLP Unitholders (other than Lexington Trust) redeemed a total of approximately 27.6 million MLP Units for Common Shares pursuant to the redemption right under the Partnership Agreement.

As a result of these contributions and redemptions and the redemptions of MLP Units by other limited partners, Lexington Trust, through Lex LP-1 Trust, holds 65,633,979 MLP Units, representing 91.1% of the MLP Units outstanding as of the date of this proxy statement/prospectus.

**Background of the MLP Merger**

At a meeting of the LXP board on May 20, 2008, the LXP board and Lexington Trust s management discussed the costs associated with maintaining the Partnership, including the costs related to the Partnership s status as a public reporting entity. The LXP board requested that Lexington Trust s management explore ways to reduce the costs associated with maintaining the MLP.

After reviewing alternatives, on October 14, 2008, Paul, Hastings, Janofsky & Walker LLP, as counsel for the Partnership and Lexington Trust, made an application on behalf of the Partnership and Lexington Trust with the SEC for (1) an exemption for the Partnership from certain reporting requirements or, in the alternative, (2) confirmation from the staff of the Division of Corporation Finance of the SEC that it will not recommend to the SEC any enforcement action if the Partnership does not comply with certain reporting requirements.

After discussions with the staff of the Division of Corporation Finance of the SEC regarding the likelihood of receiving such exemption or confirmation, the Partnership and Lexington Trust withdrew the application.

Following the redemptions during October 2008, Lexington Trust, through Lex LP-1 Trust, obtained approximately 91.1% of the MLP Units outstanding.

At a meeting of the LXP board on November 11, 2008, management of Lexington Trust proposed the MLP merger to the LXP board and reported to the LXP board on the estimated cost savings. The LXP board authorized Lexington Trust s management to explore the feasibility of the MLP merger.

Over the next two weeks, Lexington Trust s management explored the feasibility of the MLP merger and prepared the merger agreement and this proxy statement/prospectus. On November 24, 2008, the LXP Board and the General Partner approved the merger agreement, the MLP merger and the related transactions.

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## PROPOSAL NO. 1 MLP MERGER

### Parties to the MLP Merger

*Lexington Realty Trust*. Lexington Trust is a self-managed and self-administered real estate investment trust, or a REIT, formed under the laws of the State of Maryland. Lexington Trust s primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial properties. As of September 30, 2008, Lexington Trust owned or had interests in approximately 240 consolidated properties in 42 states and the Netherlands.

In addition to its Common Shares, Lexington Trust has four outstanding series of shares of beneficial interest classified as preferred stock, which we refer to as its preferred shares: its 8.05% Series B Cumulative Redeemable Preferred Stock, or Series B Preferred Shares, its 6.50% Series C Cumulative Convertible Preferred Stock, or Series C Preferred Shares, its 7.55% Series D Cumulative Redeemable Preferred Stock, or Series D Preferred Shares, and its special voting preferred stock. Lexington Trust s common shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares are traded on the New York Stock Exchange, which we refer to as the NYSE, under the symbols LXP , LXP_pb , LXP_pc , and LXP_pd , respectively. See Annex B for more information concerning Lexington Trust and its business and assets.

*The Lexington Master Limited Partnership*. The Partnership was organized in October 2001 as a Delaware limited partnership to facilitate the January 2002 exchange transaction in which 90 limited partnerships were merged into the Partnership and the Partnership acquired various other assets related to its management and capital structure.

Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Trust, is the General Partner, and Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Trust, owns 65,633,979 MLP Units, representing approximately 91.1% of the outstanding MLP Units as of the date of this proxy statement/prospectus.

The Partnership owns commercial properties, most of which are leased to investment grade corporate tenants, as well as other real estate assets. As of September 30, 2008, the Partnership owned interests in approximately 130 consolidated properties located in 33 states. See Annex C for more information concerning the Partnership and its business and assets.

### MLP Merger Approval Requirement

The merger agreement requires that the Partnership obtain the approval of the holders of at least a majority of each class of MLP Units.

As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner withdraws its recommendation of, or votes against, the MLP merger, approval of the proposals is assured.

### Record Date

The General Partner has set the close of business on November 24, 2008 as the Record Date for limited partners who are entitled to notice of the action to be taken at the special meeting.

### MLP Merger Consideration

In the MLP merger, you will be entitled to receive, for (1) each whole MLP Unit, one Common Share and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, Lexington Trust will forward payments to such holders of fractional interests.

**Distributions**

If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of LXP s board and the General Partner, as applicable.

**Conditions to the MLP Merger**

The consummation of the MLP merger is subject to the approval of the limited partners as described in this proxy statement/prospectus. This condition is in favor of, and may be waived by, Lexington Trust.

**Reasons for and Consequences of the MLP Merger**

In deciding to approve the MLP merger and the merger agreement, the General Partner and Lexington Trust considered a number of factors, both potentially positive and potentially negative, with respect to the MLP merger:

**Administrative Cost Savings** The MLP merger is expected to result in administrative and operational economies of scale and cost savings for the benefit of both holders of MLP Units and holders of Common Shares. The Partnership is required to file periodic reports with the SEC because of the number of holders of MLP Units and the value of the Partnership s assets. As a result, the Partnership has separate financial and tax accounting, reporting and disclosure requirements, which are estimated to cost in excess of $1.0 million annually. These requirements are different from and in addition to those required for Lexington Trust and its other subsidiaries, including its three other operating partnerships.

**Tax Consequences** The MLP merger will be a taxable transaction for the holders of MLP Units. No tax protection agreements were entered into between the Partnership or the General Partner, on the one hand, and any limited partner on the other hand, that expired after January 15, 2004. Section 7.6.B of the Partnership Agreement provides that the General Partner is under no obligation to give priority to the separate interests of the limited partners (including, without limitation, the tax consequences to limited partners) in deciding whether to cause the Partnership to take (or decline to take) any actions. The General Partner believes that the tax consequences to the limited partners will be mitigated by Common Shares trading at historic lows. In addition, U.S. federal tax rates on capital gains are currently scheduled to increase for taxable years beginning after December 31, 2010. It is possible that Congress could increase such rates sooner.

**Liquidity for Limited Partners** Except for certain transfers to family members and charitable organizations, holders of MLP Units may not transfer their MLP Units without the General Partner s consent. However, holders of MLP Units have the right to tender their MLP Units for redemption by the MLP at certain times, as specified in the Partnership Agreement. Lexington Trust s Common Shares issued in exchange for MLP Units upon a redemption or pursuant to the MLP merger will be freely transferable as registered securities under the Securities Act. Lexington Trust s Common Shares are listed on the NYSE under the symbol LXP . Therefore, when a holder of MLP Units receives Common Shares upon a redemption or in the MLP merger he or she will have the same liquidity.

**Avoidance of Conflicts of Interest** Lexington Trust and its other operating partnerships conduct businesses similar to that of the Partnership. The conduct of these businesses and the allocation of business opportunities and investments between the Partnership and Lexington Trust s other subsidiaries, may give rise to conflicts of interests. In addition, there are complexities in allocating resources and costs for overhead, personnel and other matters between the Partnership and Lexington Trust and its other subsidiaries. These conflict situations will be eliminated through the MLP merger.

**Greater Capital Resources** While the General Partner believes that cash flows from operations will continue to provide adequate capital to fund the Partnership s operating and administrative expenses, regular debt service obligations and all distribution payments in accordance with Lexington Trust s REIT requirements in both the short-term and long-term, Lexington Trust, as a publicly traded company, has access to greater capital resources.

**Future Investment Opportunities** Lexington Trust s greater capital resources will also enable it to take advantage of investment opportunities, which will further diversify the investment risk.

**Elimination of dependency on Lexington Trust and its personnel** The Partnership is not self-administered or self-managed and is dependent upon Lexington Trust and its personnel whose continued service is not guaranteed. The Partnership s inability to continue to retain the services of Lexington Trust and its personnel or the Partnership s loss of any of their services could adversely impact the Partnership s operations. The MLP merger would ensure the continued service of Lexington Trust and its personnel because Lexington Trust is a self-administered and self-managed real estate investment trust.

In view of the wide variety of factors considered by the Partnership and Lexington Trust, neither the Partnership nor Lexington Trust found it practicable to quantify or otherwise attempt to assign relative weights to the specific factors considered.

**Alternatives Considered**

Lexington Trust considered several alternatives to the MLP merger, including the contribution of its other operating partnerships to the Partnership and relief from certain reporting requirements. However, none of the alternatives considered would have resulted in the cost savings described above or been as efficient as the MLP merger.

**Appraisal Rights**

The Partnership was formed under Delaware law. Under Delaware law, a partnership agreement or an agreement of merger or consolidation may provide that contractual appraisal rights with respect to a partnership interest or another interest in a limited partnership will be available for any class or group or series of partners or partnership interests in connection with any merger or consolidation in which the limited partnership is a constituent party to the merger or consolidation. Neither the Partnership Agreement nor the merger agreement provides for contractual appraisal rights.

**Terms of the Merger Agreement**

*Structure of the Merger*. The merger agreement provides for the merger of the Partnership with and into Lexington Trust, with Lexington Trust as the surviving company.

*Merger Consideration*. At the effective time of the MLP merger, each issued and outstanding MLP Unit (other than units held by Lex LP-1 Trust) shall be exchanged for one Common Share and each fractional MLP Unit will be exchanged for cash as described below.

*Closing and Effective Time of the Merger.* The closing of the MLP merger is expected to occur on or about December 31, 2008 and the effective time of the MLP merger will be 11:59 p.m. on December 31, 2008.

*Exchange of Securities; No Fractional Shares; Withholding Rights.*

Exchange of Securities. Lexington Trust will deposit with BNY Mellon Shareowner Services, cash and certificates evidencing Common Shares to be paid or issued to the holders of MLP Units under and as contemplated by the merger agreement. Promptly after the MLP merger, each record holder of MLP Units will receive a certificate or certificates evidencing the number of full Common Shares for which the aggregate number of MLP Units owned by such holder have been exchanged pursuant to the merger agreement, plus any cash that such holder is entitled to in lieu of fractional MLP Units.

No Fractional Shares. Each holder of a fractional MLP Unit exchanged in the merger will receive cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the NYSE for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, the exchange agent will so notify Lexington Trust, and Lexington Trust will cause the exchange agent to forward payments to such holders of fractional interests.

Withholding Rights. Lexington Trust will be entitled to deduct and withhold from the consideration otherwise payable pursuant to the merger agreement to any holder of MLP Units such amounts as they are required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law.

*Representations and Warranties*. The merger agreement contains limited customary representations and warranties made by Lexington Trust to the Partnership and the Partnership to Lexington Trust. These representations and warranties relate to, among other things:

- existence, good standing, authority and compliance with law;
- authority to enter into the MLP merger agreement and related agreements and to consummate the MLP merger;
- no conflicts, required filings or consents;
- neither the merger agreement nor the consummation of the MLP merger will breach organizational documents or material agreements;
- neither the merger agreement nor the consummation of the MLP merger requires any governmental consents;
- no material undisclosed liabilities;
- compliance with requirements of governmental authorities; and
- tax matters, including qualification as a REIT and tax protection agreements.

Certain of these representations and warranties are qualified as to materiality or material adverse effect. For purposes of the merger agreement, material adverse effect means any event, circumstance, change or effect that is materially adverse to the financial condition or results of operations of Lexington Trust and its subsidiaries, taken as a whole, or the Partnership and its subsidiaries, taken as a whole, as applicable.

The representations and warranties in the merger agreement do not survive the effective time of the merger and if the agreement is validly terminated, neither party will have any liability or obligation for its representations and warranties, or otherwise under the merger agreement, unless the party has willfully breached any representation, warranty or covenant contained therein.

*Conditions to the Merger*. The completion of the MLP merger is only subject to the approval of the holders of at least a majority of each class of MLP Units. Lex LP-1 Trust, holder of approximately 91.1% of the MLP Units has indicated its intention to approve the MLP merger.

*Termination of the Merger Agreement*. The merger agreement may be terminated at any time prior to the effective time of the merger in writing by the mutual written consent of the Partnership and Lexington Trust.

*Effect of Termination*. If the merger agreement is terminated, the merger agreement will be void and have no effect, and there will be no liability or obligation of the Partnership or Lexington Trust, or their respective officers, directors, trustees, subsidiaries or partners, as applicable, except for willful breaches of the merger agreement.

*Termination Fee and Expenses*.

Expenses. The merger agreement provides that each party will pay its own costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement, whether or not the transactions contemplated by the merger agreement are consummated.

Termination Fee. There is no termination fee payable by any party if the merger agreement is terminated.

**The foregoing summary of the merger agreement is qualified in its entirety by the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus and incorporated into this proxy statement/prospectus**.

**Material Tax Consequences of the MLP Merger**

The MLP merger will have tax consequences for holders of MLP Units. The receipt of Common Shares in exchange for existing MLP Units and cash in exchange for fractional MLP Units generally will be taxable for federal income tax purposes. See United States Federal Income Tax Considerations, below. **Your tax consequences will depend on your personal situation. You are urged to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

**Regulatory Approvals**

No material federal or state regulatory approvals are required to be obtained by Lexington Trust or the Partnership in connection with the MLP merger.

**Conduct of Lexington Trust and the Partnership s Businesses in the Event the MLP Merger is not Consummated**

In the event that the MLP merger is not consummated for any reason, the General Partner will continue to operate the Partnership s business in accordance with Lexington Trust s strategic business plan.

**Accounting Treatment**

The MLP merger will be accounted for as a redemption of the minority interest s MLP Units in the MLP merger using the carrying value of the MLP Units.

**Restrictions on Resale of Lexington Common Shares Issued in the Merger**

Common Shares issued in the MLP merger will be freely transferable under the Securities Act of 1933, as amended, referred to herein as the Securities Act, except for shares issued to any person who may be deemed to be an affiliate of the Partnership within the meaning of Rule 145 under the Securities Act or who will become an affiliate of Lexington Trust within the meaning of Rule 144 under the Securities Act after the MLP merger. Common Shares received by persons who are deemed to be Partnership affiliates or who will become Lexington Trust affiliates may be resold by these persons only in transactions permitted by the limited resale provisions of Rule 145 or as otherwise permitted under the Securities Act. Persons who may be deemed to be affiliates of the Partnership generally include individuals or entities that, directly or indirectly through one or more intermediaries, control, are controlled by or are under common control with the Partnership and may include certain partnerships in which the Partnership controls the general partner.

**Trustees and Executive Officers of the Combined Company**

The composition of Lexington Trust s board will remain the same after the effective time of the MLP merger, until Lexington Trust s next annual meeting of shareholders or a trustee s earlier resignation or removal.

Lexington Trust s current executive officers are expected to continue to hold office after the effective time of the MLP merger in their current capacities, until their successors are duly elected and qualified or until their earlier resignations or removals.

**Who Can Answer Other Questions**

If you have any questions about the MLP merger or would like additional copies of this proxy statement/prospectus, you should contact:

The Lexington Master Limited Partnership
One Penn Plaza, Suite 4015
New York, NY 10119-4015
212-692-7200
Attention: Investor Relations

**THE GENERAL PARTNER RECOMMENDS A VOTE FOR THE APPROVAL OF THE MERGER AGREEMENT, THE MLP MERGER AND THE RELATED TRANSACTIONS**

It is important that proxies be returned promptly. Limited partners are, therefore, urged to fill in, date, sign and return the enclosed proxy card immediately. No postage need be affixed if mailed in the enclosed envelope in the United States.

## INTERESTS OF LEXINGTON TRUST

Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other limited partners generally. The General Partner and the LXP board were aware of these interests and considered them, among other matters, in approving the MLP merger. These interests include:

*Stepped up basis*. Upon consummation of the MLP merger, Lexington Trust will receive a stepped-up tax basis on its additional investment in the Partnership s assets to the extent of the MLP Units it acquires in the MLP merger.

*Intercompany advances*. The Partnership advanced $39.4 million, net, to Lexington Trust as of September 30, 2008. The advances are payable on demand and bear interest at the rate charged by KeyBank N.A. under the Partnership s $225.0 million original principal amount secured term loan

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originated in June 2007. This inter-company advance will be extinguished upon the consummation of the MLP merger, but Lexington Trust will assume all of the Partnership s indebtedness, including the KeyBank N.A. secured term loan.

*Reimbursement to Lexington Trust*. Lexington Trust pays for certain general, administrative and other costs on the Partnership s behalf from time to time. These costs are reimbursable by the Partnership. These costs were approximately $8.7 million for the nine months ended September 30, 2008. The Partnership owed $3.1 million of these costs to Lexington Trust as of September 30, 2008. The reimbursement obligation will be extinguished upon consummation of the MLP merger.

*Management fees*. Lexington Realty Advisors, Inc., a taxable REIT subsidiary of Lexington Trust, earned management fees of approximately $0.2 million during the nine months ended September 30, 2008 for managing four consolidated properties. Lexington Realty Advisors, Inc. also earned a fee of $0.6 million during the nine months ended September 30, 2008 under the management agreement with NLS.

## DESCRIPTION OF LEXINGTON TRUST S COMMON SHARES

*The following summary of the material terms and provisions of Lexington Trust s Common Shares does not purport to be complete and is subject to the detailed provisions of the LXP declaration and the LXP bylaws, each as supplemented, amended or restated, copies of which are attached to this proxy statement/prospectus as part of Annex B. You should carefully read each of these documents in order to fully understand the terms and provisions of Lexington Trust s Common shares. For information on incorporation by reference, and how to obtain copies of these documents, see the section entitled Where You Can Find More Information, below.*

### General

Under the LXP declaration, Lexington Trust has the authority to issue up to 1,000,000,000 shares of beneficial interest, par value $0.0001 per share, of which 400,000,000 shares are classified as Common Shares, 500,000,000 are classified as excess stock, or excess shares, and 100,000,000 shares are classified as preferred shares.

### Terms

Subject to the preferential rights of any other shares or series of equity securities and to the provisions of the LXP declaration regarding excess shares, holders of Common Shares are entitled to receive dividends on Common Shares if, as and when authorized by the LXP board and declared by Lexington Trust out of assets legally available therefor and to share ratably in those of Lexington Trust s assets legally available for distribution to its shareholders in the event that it liquidates, dissolves or winds up, after payment of, or adequate provision for, all of its known debts and liabilities and the amount to which holders of any class of shares classified or reclassified or having a preference on distributions in liquidation, dissolution or winding up have a right.

Subject to the provisions of the LXP declaration regarding excess shares, each outstanding Common Share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees and, except as otherwise required by law or except as otherwise provided in the LXP declaration with respect to any other class or series of shares, the holders of Common Shares will possess exclusive voting power. There is no cumulative voting in the election of trustees, which means that the holders of a majority of outstanding Common Shares can elect all of the trustees then standing for election, and the holders of the remaining Common Shares will not be able to elect any trustees.

Holders of Common Shares have no conversion, sinking fund, redemption rights or preemptive rights to subscribe for any of Lexington Trust s securities.

Lexington Trust furnishes its shareholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm.

Subject to the provisions of the LXP declaration regarding excess shares, all Common Shares will have equal dividend, distribution, liquidation and other rights and will generally have no preference, appraisal or exchange rights.

Pursuant to Maryland statutory law governing real estate investment trusts organized under Maryland law, a real estate investment trust generally cannot amend its declaration of trust or merge unless approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the LXP declaration. The LXP declaration provides that those actions, with the exception of certain amendments to the LXP declaration for which a higher vote requirement has been set, will be valid and effective if authorized by holders of a majority of the total number of shares of all classes outstanding and entitled to vote thereon.

**Restrictions on Ownership**

For Lexington Trust to qualify as a REIT under the Code, not more than 50% in value of its outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. To assist Lexington Trust in meeting this requirement, Lexington Trust may take certain actions to limit the beneficial ownership, directly or indirectly, by a single person of Lexington Trust s outstanding equity securities. See Certain Provisions of Maryland Law and of the LXP Declaration and Bylaws, below.

**Transfer Agent**

The transfer agent and registrar for the Partnership s common shares is BNY Mellon Shareowner Services.

**CERTAIN PROVISIONS OF MARYLAND LAW AND OF THE LXP DECLARATION AND BYLAWS**

**Restrictions Relating To REIT Status**

For Lexington Trust to qualify as a REIT under the Code, among other things, not more than 50% in value of Lexington Trust s outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year, and such capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year). The LXP declaration, subject to certain exceptions, provides that no holder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% of Lexington Trust s equity shares, defined as Common Shares or preferred shares. We refer to this restriction as the Ownership Limit. The LXP board may exempt a person from the Ownership Limit if evidence satisfactory to the LXP board is presented that the changes in ownership will not then or in the future jeopardize Lexington Trust s status as a REIT. The LXP board has granted waivers of the Ownership Limit to certain holders of the Partnership s capital stock, including Vornado Realty, L.P. Any transfer of equity shares or any security convertible into equity shares that would create a direct or indirect ownership of equity shares in excess of the Ownership Limit or that would result in the Partnership s disqualification as a REIT, including any transfer that results in the equity shares being owned by fewer than 100 persons or results in Lexington Trust being closely held within the meaning of Section 856(h) of the Code, will be null and void, and the intended transferee will acquire no rights to such equity shares. The foregoing restrictions on transferability and ownership will not apply if the LXP board determines that it is no longer in Lexington Trust s best interests to attempt to qualify, or to continue to qualify, as a REIT.

Equity shares owned, or deemed to be owned, or transferred to a shareholder in excess of the Ownership Limit, or that would result in Lexington Trust being closely held (within the meaning of Section 856(h) of the Code), will automatically be exchanged for an equal number of shares of beneficial interest classified as excess stock, which we refer to as excess shares, that will be transferred, by operation of law, to the Partnership as trustee of a trust for the exclusive benefit of the transferees to whom such capital shares may be ultimately transferred without violating the Ownership Limit. The excess shares are not entitled to be voted, be considered for purposes of any shareholder vote or the determination of a quorum for such vote and, except upon liquidation, entitled to participate in dividends or other distributions. Any dividend or distribution paid to a proposed transferee of excess shares prior to Lexington Trust s discovery that equity shares have been transferred in violation of the provisions of the LXP declaration will be repaid to Lexington Trust upon demand. The excess shares are not treasury shares, but

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rather constitute a separate class of Lexington Trust s issued and outstanding shares. The original transferee-shareholder may, at any time the excess shares are held by Lexington Trust in trust, transfer the interest in the trust representing the excess shares to any individual whose ownership of the equity shares exchanged into such excess shares would be permitted under the LXP declaration, at a price not in excess of the price paid by the original transferee-shareholder for the equity shares that were exchanged into excess shares, or, if the transferee-shareholder did not give value for such shares, a price not in excess of the market price (as determined in the manner set forth in the LXP declaration) on the date of the purported transfer. Immediately upon the transfer to the permitted transferee, the excess shares will automatically be exchanged for equity shares of the class from which they were converted. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the intended transferee of any excess shares may be deemed, at Lexington Trust s option, to have acted as an agent on Lexington Trust s behalf in acquiring the excess shares and to hold the excess shares on Lexington Trust s behalf.

In addition to the foregoing transfer restrictions, Lexington Trust will have the right, for a period of 90 days, after the later of the day Lexington Trust receives written notice of a transfer or other event, or the LXP board determines in good faith that a transfer or other event has occurred, resulting in excess shares, to purchase all or any portion of the excess shares from the original transferee-shareholder for the lesser of the price paid for the equity shares by the original transferee-shareholder or the market price (as determined in the manner set forth in the LXP declaration) of the equity shares on the date Lexington Trust exercises its option to purchase. The 90-day period begins on the date on which we receive written notice of the transfer or other event resulting in the exchange of equity shares for excess shares.

Each shareholder will be required, upon demand, to disclose to Lexington Trust in writing any information with respect to the direct, indirect and constructive ownership of capital shares as the LXP board deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

This Ownership Limit may have the effect of precluding an acquisition of control unless the LXP board determines that maintenance of REIT status is no longer in Lexington Trust s best interest.

**Maryland Law**

***Business Combinations.*** Under Maryland law, business combinations between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested shareholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the trust s shares; or
- an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of the trust.

A person is not an interested shareholder under the statute if the board of trustees approved in advance the transaction by which he otherwise would have become an interested shareholder. However, in approving a transaction, the board of trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms or conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland real estate investment trust and an interested shareholder generally must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least:

- eighty percent of the votes entitled to be cast by holders of outstanding voting shares of the trust; and
- two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested shareholder.

These super-majority vote requirements do not apply if the trust s common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of trustees prior to the time that the interested shareholder becomes an interested shareholder.

In connection with its approval of the December 31, 2006 merger with Newkirk, the LXP board has exempted from these restrictions, to a limited extent, certain holders of Newkirk stock and MLP Units who received Common Shares in that merger.

The business combination statute may discourage others from trying to acquire control of Lexington Trust and increase the difficulty of consummating any offer.

***Control Share Acquisitions.*** Maryland law provides that control shares of a Maryland real estate investment trust acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by employees who are trustees of the trust are excluded from shares entitled to vote on the matter. Control Shares are voting shares which, if aggregated with all other shares owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of trustees of the trust to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the trust may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the trust may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the trust to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the trust is a party to the transaction or (b) to acquisitions approved or exempted by the declaration of trust or by-laws of the trust.

The LXP bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of Lexington Trust s shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

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***Certain Elective Provisions of Maryland Law***. Publicly-held Maryland statutory real estate investment trusts ( Maryland REITs ) may elect to be governed by all or any part of Maryland law provisions relating to extraordinary actions and unsolicited takeovers. The election to be governed by one or more of these provisions can be made by a Maryland REIT in its declaration of trust or bylaws ( charter documents ) or by resolution adopted by its board of trustees so long as the Maryland REIT has at least three trustees who, at the time of electing to be subject to the provisions, are not:

officers or employees of the Maryland REIT;

persons seeking to acquire control of the Maryland REIT;

trustees, officers, affiliates or associates of any person seeking to acquire control; or

nominated or designated as trustees by a person seeking to acquire control.

Articles supplementary must be filed with the Maryland State Department of Assessments and Taxation if a Maryland REIT elects to be subject to any or all of the provisions by board resolution or bylaw amendment. Shareholder approval is not required for the filing of these articles supplementary.

The Maryland law provides that a Maryland REIT can elect to be subject to all or any portion of the following provisions, notwithstanding any contrary provisions contained in that Maryland REIT s existing charter documents:

*Classified Board*: The Maryland REIT may divide its board into three classes which, to the extent possible, will have the same number of trustees, the terms of which will expire at the third annual meeting of shareholders after the election of each class;

*Two-thirds Shareholder Vote to Remove Trustees*: The shareholders may remove any trustee only by the affirmative vote of at least two-thirds of all votes entitled to be cast by the shareholders generally in the election of trustees;

*Size of Board Fixed by Vote of Board*: The number of trustees will be fixed only by resolution of the board;

*Board Vacancies Filled by the Board for the Remaining Term*: Vacancies that result from an increase in the size of the board, or the death, resignation, or removal of a trustee, may be filled only by the affirmative vote of a majority of the remaining trustees even if they do not constitute a quorum. Trustees elected to fill vacancies will hold office for the remainder of the full term of the class of trustees in which the vacancy occurred, as opposed to until the next annual meeting of shareholders, and until a successor is elected and qualified; and

*Shareholder Calls of Special Meetings*: Special meetings of shareholders may be called by the secretary of the Maryland REIT only upon the written request of shareholders entitled to cast at least a majority of all votes entitled to be cast at the meeting and only in accordance with procedures set out in the Maryland General Corporation Law.

Lexington Trust has not elected to be governed by these specific provisions. However, the LXP declaration and/or the LXP bylaws, as applicable, already provide for an 80% shareholder vote to remove trustees and then only for cause, and that the number of trustees may be determined by a resolution of the LXP board, subject to a minimum number. In addition, Lexington Trust can elect to be governed by any or all of the provisions of the Maryland law at any time in the future.

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## THE PARTNERSHIP S SECOND AMENDED AND RESTATED PARTNERSHIP AGREEMENT; EXCHANGE OF MLP UNITS

*The following summary of the material terms and provisions of the Partnership Agreement does not purport to be complete and is subject to the detailed provisions of the Partnership Agreement, each as supplemented, amended or restated, a copy of which is attached to this proxy statement/prospectus as part of Annex C.*

### Management

Pursuant to the Partnership Agreement, the General Partner generally has full, exclusive and complete responsibility and discretion in the management, operation and control of the Partnership, including the ability to cause the Partnership to enter into certain major transactions, including mergers and consolidations, acquisitions and dispositions of loans and other assets and refinancings of existing indebtedness. No limited partner may take part in the operation, management or control of the business of the Partnership by virtue of being a holder of MLP Units.

Lex GP-1 Trust may not be removed as general partner of the Partnership, except that upon its bankruptcy or dissolution, the limited partners may elect a successor general partner to continue the partnership.

### Transferability of Interests

*General Partner*

The Partnership Agreement provides that Lex GP-1 Trust may not sell, assign, transfer, pledge or otherwise dispose of its general partner interest without the consent of the holders of a majority of the MLP Units, except for transfers to a subsidiary of Lexington Trust.

*Limited Partners*

Except for certain transfers and assignments to family members of individual limited partners, the Partnership Agreement prohibits the sale, assignment, transfer, pledge or disposition of all or any portion of the limited partners MLP Units without the general partner s consent, which consent may be withheld in the general partner s sole and absolute discretion. The Partnership Agreement also contains restrictions on transfers of MLP Units if, among other things, the general partner determines that such transfer:

- may require registration of the MLP Units under federal or state securities laws,
- may cause Lexington Trust to fail to comply with the REIT rules under the Code, or
- may cause the Partnership to be treated as a publicly traded partnership under the Code.

### Capital Contributions and Borrowings

The Partnership Agreement provides that the General Partner may determine that the Partnership requires additional funds and that the general partner may:

- on the Partnership s behalf, accept additional capital contributions from existing partners or other persons,
- cause the Partnership to borrow funds from a financial institution or other person,
- borrow such funds from a lending institution or other person and subsequently lend such funds to the Partnership, or
- directly lend funds to the Partnership.

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While the limited partners have no preemptive right to make additional capital contributions, the Partnership Agreement provides that subject to certain limitations Lexington Trust, through the general partner, may make additional capital contributions to the Partnership, in exchange for additional MLP Units or additional assets, as the general partner determines in good faith to be desirable to further the Partnership s purposes or business. If Lexington Trust contributes additional capital to the Partnership and receives additional MLP Units for such capital contribution, Lexington Trust s percentage interests will be increased on a proportionate basis based on the amount of such additional capital contributions and the Partnership s value at the time of such contributions. Conversely, the percentage interests of the other limited partners will be decreased on a proportionate basis. In addition, if Lexington Trust contributes additional capital to the Partnership and receives additional MLP Units for such capital contribution, the general partner may revalue the Partnership s assets to their fair market value (as determined by the general partner) and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such assets (that has not been reflected in the capital accounts previously) would be allocated among the partners under the terms of the Partnership Agreement if there were a disposition of such assets for such fair market value on the date of the revaluation. The Partnership could also issue MLP Units to Lexington Trust s affiliates or third parties, in exchange for assets contributed to or services provided for the Partnership. Such transactions may give rise to a revaluation of the Partnership s assets and an adjustment to partners capital accounts.

The Partnership could also issue preferred MLP Units in connection with acquisitions of assets or otherwise. Any such preferred MLP Units would have priority over common MLP Units with respect to distributions from the Partnership, including the MLP Units that Lexington Trust owns directly or through subsidiaries. As of the date of this proxy statement/prospectus, there are two classes of MLP Units outstanding: the Class A Units and the Special Voting Units.

**Redemption Rights under the Partnership Agreement**

Each holder of MLP Units has the right under the Partnership Agreement to redeem its MLP Units. This right may be exercised at the election of holders of MLP Units by giving written notice, subject to some limitations. The purchase price for each of the MLP Units to be redeemed under the Partnership Agreement will equal the fair market value of a Common Share, calculated as the average of the daily closing prices on the New York Stock Exchange for the twenty consecutive business days immediately preceding the date of determination or, if no closing price is available, as provided in the Partnership Agreement. The purchase price for MLP Units may be paid in cash or, in the general partner s discretion, by the issuance of a number of Common Shares equal to the number of MLP Units with respect to which the rights are being exercised, subject to adjustment based on share splits, mergers, consolidations or similar pro rata transactions.

No holder of MLP Units may exercise its redemption rights under the Partnership Agreement if Lexington Trust could not issue Common Shares to the redeeming partner in satisfaction of the redemption (regardless of whether Lexington Trust would in fact do so instead of paying cash) because of the ownership limitations contained in the LXP declaration, or if the redemption would cause Lexington Trust to violate the REIT requirements. See Certain Provisions of Maryland Law and of the LXP Declaration and Bylaws Restrictions Relating to REIT Status above. In addition, no holder of MLP Units may exercise the redemption right under the Partnership Agreement:

- for fewer than 500 MLP Units or, if a limited partner holds fewer than 500 MLP Units, all of the MLP Units held by such limited partner; or
- if the general partner determines that allowing such redemption may cause the Partnership to be treated as a publicly traded partnership.

Lexington Trust guaranteed the performance of the redemption obligations of the Partnership under the Partnership Agreement.

**Tax Treatment of Exchange of MLP Units in the MLP Merger**

See United States Federal Income Tax Considerations for a summary of certain federal income tax considerations that may be relevant to a holder who exchanges its MLP Units for Common Shares and its fractional MLP Units, if any, for cash in the MLP merger.

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**Each holder of MLP Units should consult its own tax advisor regarding the tax consequences to you of the exchange of your units in the MLP merger, including the federal, state, local and foreign tax consequences of the exchange of units in the MLP merger in your particular circumstances and potential changes in applicable laws.**

**Operations of the MLP**

The Partnership Agreement allows Lexington Trust to operate the Partnership in a manner that permits Lexington Trust to qualify as a REIT at all times and to cause the Partnership not to take any action that would cause Lexington Trust to incur additional federal income or excise tax liability under the Code or that would cause the Partnership to be treated as a corporation for federal income tax purposes.

The Partnership must reimburse Lexington Trust for all amounts Lexington Trust spends in connection with the Partnership s business, including:

- expenses relating to Lexington Trust s ownership and management of the Partnership;
- the management fees owing to any advisors, and the fees or compensation owing to directors, officers and employees; and
- the expense of the Partnership s being a public company.

For the nine months ended September 30, 2008, these expenses equaled approximately $8.7 million.

**Allocations**

The Partnership s profits and losses (including depreciation and amortization deductions) for each fiscal year generally are allocated to Lexington Trust and the other limited partners in accordance with the respective percentage interests of the Partnership s partners. The number of MLP Units that Lexington Trust holds, together with the units that Lexington Trust holds in its three other operating partnerships, generally corresponds to the number of Common Shares outstanding. All of the foregoing allocations are subject to compliance with the provisions of Code sections 704(b) and 704(c) and the Treasury regulations promulgated thereunder, which may require allocations that are not in accordance with percentage interests in various circumstances.

**Distributions**

The Partnership Agreement provides that the Partnership will make cash distributions in amounts determined by the general partner in its sole discretion, to Lexington Trust and other limited partners generally in accordance with the respective percentage interests of the Partnership s partners.

Upon the Partnership s liquidation, after payment of, or adequate provisions for, the Partnership s debts and obligations, including any partner loans, any of the Partnership s remaining assets will be distributed to Lexington Trust and the other limited partners with positive capital accounts in accordance with the respective positive capital account balances of the partners.

**Funding Agreement**

In connection with the Newkirk Merger, Lexington Trust and its four operating partnerships, including the Partnership, entered into a funding agreement. Pursuant to the funding agreement, the parties agreed, jointly and severally, that, if any of the four operating partnerships does not have sufficient cash available to make a quarterly distribution to its limited partners in an amount equal to whichever is applicable of (i) a specified distribution set forth in its partnership agreement or (ii) the cash dividend payable with respect to a whole or fractional Common Shares into which such partnership s common units would be converted if they were redeemed for Common Shares in accordance with its partnership agreement, Lexington Trust and its four operating partnerships, including the Partnership, each a funding partnership , will fund their pro rata share of the shortfall. The pro rata share of each funding partnership and Lexington Trust s pro rata share, respectively, will be determined based on the number of units in each funding partnership and, for Lexington Trust, by the amount by which its total outstanding Common Shares exceeds the number of units in each funding partnership not owned by Lexington Trust, with appropriate adjustments being made if units are not redeemable on a one-for-one basis. Payments under the agreement will be made in the form of loans to the partnership experiencing a shortfall and will bear interest at prevailing rates as determined by Lexington Trust in its discretion but no less than the applicable federal rate. The Partnership s right to receive these loans will expire if Lexington Trust contributes to the Partnership all of its economic interests in the other operating partnerships, Lexington Trust s other subsidiaries that are partnerships, joint ventures or limited liability companies. However, thereafter the Partnership will remain obligated to continue to make these loans until there are no remaining units outstanding in the other operating partnerships and all loans have been repaid.

**Amendments**

Generally, the General Partner may not amend the Partnership Agreement without the consent of the holders of the majority of the MLP Units, except that without the consent of any limited partner the General Partner may amend the agreement to:

- add to its obligations or surrender its rights, as general partner, under the Partnership Agreement for the benefit of the limited partners;
- reflect the issuance of additional MLP Units or the admission, substitution, termination or withdrawal of partners in accordance with the Partnership Agreement;
- reflect inconsequential changes, cure any ambiguity, correct or supplement any provision not inconsistent with law or another provision of the Partnership Agreement, or make other changes concerning matters under the Partnership Agreement not otherwise inconsistent with the law or the Partnership Agreement;
- satisfy requirements or guidelines under federal or state law;
- reflect changes that are reasonably necessary for Lexington Trust, as parent of the general partner, to satisfy the REIT requirements or reflect the transfer of partnership interests from it, as the parent of the general partner, to its subsidiary;
- modify the manner in which capital accounts are computed but only to the extent set forth in the Partnership Agreement in order to comply with the requirements of the Code and the Treasury regulations promulgated thereunder; or
- issue additional MLP Units.

The General Partner may not, without the consent of each limited partner adversely affected, make any amendment to Partnership Agreement that would (1) convert a limited partner interest into a general partner interest or modify the limited liability of a limited partner, (2) alter the distribution rights or the allocations described in the Partnership Agreement or (3) modify the redemption rights.

**Exculpation and Indemnification of the General Partner**

The Partnership Agreement provides that neither the General Partner nor any of its trustees or officers are liable to the Partnership or to any of the Partnership s partners as a result of errors in judgment or mistakes of fact or law or of any act or omission, if the General Partner, its trustees or its officer acted in good faith.

In addition, the Partnership Agreement requires the Partnership to indemnify and hold harmless the General Partner, its trustees, officers and any other persons it designates, from and against any and all claims arising from the Partnership s operations in which any such indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that:

- the act or omission of the indemnitee was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty,
- the indemnitee actually received an improper personal benefit in money, property or services, or

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in the case of any criminal proceeding, the indemnitee had reasonable cause to believe that the act or omission was unlawful.

No indemnitee may subject any of the Partnership s partners to personal liability with respect to this indemnification obligation.

**Term**

The Partnership will continue until dissolved upon:

- the General Partner s bankruptcy or dissolution or withdrawal (unless the limited partners elect to continue the Partnership) or a decree of judicial dissolution under Delaware law;
- the sale or other disposition of all or substantially all of the Partnership s assets; or
- the redemption of all MLP Units (other than those held by Lexington Trust or its subsidiaries).

**Tax Matters Partner**

The General Partner is the Partnership s tax matters partner, and it has the authority to make tax elections under the Code on the Partnership s behalf.

## COMPARISON OF OWNERSHIP OF MLP UNITS AND COMMON SHARES

*The information below highlights a number of the significant differences between the Partnership and Lexington Trust relating to, among other things, form of organization, permitted investments, policies and restrictions, management structure, compensation and fees, investor rights and federal income taxation, and compares certain legal rights associated with the ownership of MLP Units and Common Shares, respectively. These comparisons are intended to assist unitholders in understanding how their investment will be changed in the MLP merger when their MLP Units are exchanged for Common Shares. This discussion is summary in nature and does not constitute a complete discussion of these matters, and unitholders should carefully review the balance of this proxy statement/prospectus, the Partnership Agreement, the LXP declaration and the LXP bylaws for additional important information about the Partnership and/or Lexington Trust.*

| THE PARTNERSHIP | LEXINGTON TRUST |
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| **FORM OF ORGANIZATION AND ASSETS OWNED** | |
| The Partnership is organized as a Delaware limited partnership. The Partnership owns interests (directly and indirectly through subsidiaries) in properties and assets. | Lexington Trust is a Maryland statutory real estate investment trust. Lexington Trust believes that it has operated so as to qualify as a REIT under the Code, commencing with the Partnership s taxable year ended December 31, 1993, and intends to continue to so operate. Lexington Trust s indirect interest in its operating partnerships, including the Partnership, gives Lexington Trust an indirect investment in the properties owned by its operating partnerships. In addition, Lexington Trust owns (either directly or indirectly through interests in subsidiaries other than its operating partnerships) interests in other properties and assets. |

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| THE PARTNERSHIP | LEXINGTON TRUST |
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| **LENGTH OF INVESTMENT** | |
| The Partnership has a perpetual term, unless sooner dissolved and terminated. | Lexington Trust has a perpetual term and intends to continue its operations for an indefinite time period. |
| **PURPOSE AND PERMITTED INVESTMENTS** | |
| The Partnership s purpose is to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Delaware Act, provided that such business is to be conducted in such a manner that permits Lexington Trust to be qualified as a REIT unless Lexington Trust ceases to qualify as a REIT for reasons other than the conduct of the Partnership s business. The Partnership may not take, or refrain from taking, any action which, in the judgment of Lexington Trust, in its sole and absolute discretion, (i) could adversely affect Lexington Trust s ability to continue to qualify as a REIT, (ii) could subject Lexington Trust to any additional taxes under any Section 857 or Section 4981, or any other section of the Code, or (iii) could violate any law or regulation of any governmental body (unless such action, or inaction, is specifically consented to by Lexington Trust in writing). | Lexington Trust s purposes are to engage in the real estate business and lawful activities incidental thereto, and to engage in any lawful act or activity for which real estate investment trusts may be organized under the applicable laws of the State of Maryland. Lexington Trust is permitted by the Partnership Agreement to engage in activities not related to the Partnership s business, including activities in direct or indirect competition with the Partnership, and may own assets other than its interests in the Partnership, and such other assets necessary to carry out the Partnership s responsibilities under the Partnership Agreement, and the LXP declaration. In addition, Lexington Trust has no obligation to present opportunities to the Partnership and the holders of MLP Units have no rights by virtue of the Partnership Agreement in any of Lexington Trust s outside business ventures. |
| **ADDITIONAL EQUITY** | |
| The Partnership is authorized to issue MLP Units and other partnership interests (including partnership interests of different series or classes that may be senior to MLP Units) as determined by the General Partner in its sole discretion. | The LXP board may cause Lexington Trust to issue, in its discretion, additional equity securities consisting of Common Shares and/or preferred shares. However, the total number of shares issued may not exceed the authorized number of capital shares set forth in the LXP declaration. The proceeds of equity capital raised by Lexington Trust are not required to be contributed to the Partnership; provided, however, that if Lexington Trust desires to increase its ownership of MLP Units, it may only do so by contributing the proceeds of equity capital raised by it. |
| **BORROWING POLICIES** | |
| The Partnership has no restrictions on borrowings, and the General Partner has full power and authority to borrow money on the Partnership s behalf. | Neither the LXP declaration nor the LXP bylaws impose any restrictions on its ability to borrow money. Lexington Trust is not required to incur its |

indebtedness through the Partnership.

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| THE PARTNERSHIP | LEXINGTON TRUST |
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| **OTHER INVESTMENT RESTRICTIONS** | |
| Other than restrictions precluding investments by the Partnership that would adversely affect Lexington Trust s qualification as a REIT, there are no restrictions upon the Partnership s authority to enter into certain transactions, including among others, making investments, lending the Partnership s funds, or reinvesting the Partnership s cash flow and net sale or refinancing proceeds, except that, without the consent of the holders of a majority of the outstanding MLP Units (other than the MLP Units held by Lexington Trust), the General Partner may not utilize any of the Partnership s asset except (i) to reimburse Lexington Trust under the Partnership Agreement, (ii) to make distributions under the Partnership Agreement, or (iii) to acquire assets or make loans for the Partnership s exclusive benefit, with certain exceptions. | Neither the LXP declaration nor the LXP bylaws impose any restrictions upon the types of investments made by Lexington Trust. However, contractual obligations may inhibit Lexington Trust s ability to invest in certain asset types. |
| **MANAGEMENT CONTROL** | |
| All management powers over the Partnership s business and affairs are vested in the General Partner, and no limited partner has any right to participate in or exercise control or management power over the Partnership s business and affairs. See Voting Rights Vote Required to Dissolve The Partnership or Lexington Trust below. The General Partner may not be removed by the limited partners with or without cause. | The LXP board has exclusive control over Lexington Trust s business and affairs subject only to the restrictions in the LXP declaration and the LXP bylaws. The LXP board consists of 10 trustees, which number may be increased or decreased by vote of at least a majority of the entire LXP board pursuant to the LXP bylaws. The trustees are elected at each annual meeting of Lexington Trust s shareholders. The policies adopted by the LXP board may be altered or eliminated without a vote of the shareholders. Accordingly, except for their vote in the elections of trustees, shareholders have no control over Lexington Trust s ordinary business policies. |
| **DUTIES** | |
| Under Delaware law, except as provided in the Partnership Agreement, the General Partner is accountable to the Partnership as a fiduciary and, consequently, is required to exercise good faith and integrity in all of its dealings with respect to the Partnership s affairs. The General Partner has agreed to use reasonable efforts to allocate excess non-recourse liabilities in a manner that will avoid or | Under Maryland law, Lexington Trust s trustees must perform their duties in good faith, in a manner that they reasonably believe to be in Lexington Trust s best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Trustees who act in such a manner generally will not be liable to Lexington Trust for monetary damages arising from their |

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| minimize any potential recapture tax liability of the partners. | activities. |

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| THE PARTNERSHIP | LEXINGTON TRUST |
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| **MANAGEMENT LIABILITY AND INDEMNIFICATION** | |
| Under Delaware law, the General Partner has liability for the payment of the Partnership s obligations and debts unless limitations upon such liability are stated in the document or instrument evidencing the obligation. Under the Partnership Agreement, the Partnership agreed to indemnify the General Partner and Lexington Trust, and any director, trustee or officer of the Partnership, Lexington Trust or the majority limited partner, to the fullest extent permitted under the Delaware Act. The reasonable expenses incurred by an indemnitee may be reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of a written affirmation by such indemnitee of his, her or its good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking by such indemnitee to repay the amount if it is ultimately determined that such standard was not met. | Under the LXP declaration, the liability of Lexington Trust s trustees and officers to Lexington Trust and its shareholders for money damages is limited to the fullest extent permitted under Maryland law. Under the LXP declaration, Lexington Trust is required to indemnify its trustees and officers to the fullest extent permitted under Maryland law and to indemnify its other employees and agents to such extent as authorized by the LXP board or the LXP bylaws, but only to the extent permitted under applicable law. |
| **ANTI-TAKEOVER PROVISIONS** | |
| Except in limited circumstances (see Voting Rights below), the General Partner has exclusive management power over the Partnership s business and affairs. The General Partner may not be removed by the limited partners. Without the consent of the General Partner, a transferee will not be (i) admitted to the Partnership as a substituted limited partner or (ii) entitled to the same rights as a substituted limited partner. | The LXP declaration and the LXP bylaws contain a number of provisions that may have the effect of delaying or discouraging an unsolicited proposal for the acquisition of Lexington Trust or the removal of incumbent management. These provisions include, among others: (1) authorized capital shares that may be issued as preferred shares in the discretion of the LXP board, with superior voting rights to the common shares; (2) a requirement that trustees may be removed only for cause and then only by the affirmative vote of the holders of at least 80% of the combined voting power of all classes of shares of beneficial interest entitled to vote in the election of trustees; and (3) provisions designed to, among other things, avoid concentration of share ownership in a manner that would jeopardize Lexington Trust s status as a REIT under the Code.<br><br>Furthermore, under Maryland law, business combinations between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the |

interested shareholder becomes an interested shareholder. See Certain Provisions of Maryland Law and the LXP Declaration and the LXP Bylaws Maryland Law, elsewhere in this proxy statement/prospectus.

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| THE PARTNERSHIP | LEXINGTON TRUST |
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**VOTING RIGHTS**

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| All decisions relating to the Partnership s operation and management are made by the General Partner. See Description of the MLP Units elsewhere in this proxy statement/prospectus. As of the date of this proxy statement/prospectus, Lexington Trust held, through Lex GP-1 and Lex LP-1, the General Partner interest and 91.1% of the MLP Units. As MLP Units are redeemed under the Partnership Agreement or exchanged in the MLP merger, Lexington Trust s percentage ownership in the Partnership will increase. | Lexington Trust is managed and controlled by a board of trustees presently consisting of 10 members. Each trustee is elected by the shareholders at annual meetings of Lexington Trust s shareholders. Maryland law requires that certain major corporate transactions, including most amendments to the LXP declaration, may not be consummated without the approval of shareholders as set forth below. All Common Shares have one vote, and the LXP declaration permits the LXP board to classify and issue preferred shares in one or more series having voting power which may differ from that of the Common Shares. See Description of Common Shares elsewhere in this proxy statement/prospectus. |

The following is a comparison of the voting rights of the limited partners and Lexington Trust s shareholders as they relate to certain major transactions:

***A. AMENDMENT OF THE PARTNERSHIP AGREEMENT OR THE LXP DECLARATION.***

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| Generally, the General Partner may not amend the Partnership Agreement without the consent of the holders of the majority of the MLP Units, except the General Partner may, without the consent of the limited partners, amend the Partnership Agreement as to certain ministerial matters and to cure ambiguities. | Amendments to the LXP declaration must be advised by the LXP board and approved generally by at least a majority of the votes entitled to be cast on that matter at a meeting of shareholders. Amendments to certain provisions on termination require the affirmative vote of two-thirds of the votes entitled to be cast and amendments to certain provisions in the LXP declaration relating to amendments to the LXP declaration or the LXP bylaws, relating to the LXP board or relating to obligations under written instruments, require the affirmative vote of 80% of the votes entitled to be cast. In addition, the LXP declaration may be amended by a two-thirds majority of its trustees, without shareholder approval, in order to preserve its qualification as a REIT under the Code. |

***B. VOTE REQUIRED TO DISSOLVE OR TERMINATE THE MLP OR THE PARTNERSHIP.***

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| The Partnership may be dissolved upon the occurrence of certain events, none of which require the consent of the limited partners. | Lexington Trust may be terminated only upon the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote thereon. |

| THE PARTNERSHIP | LEXINGTON TRUST |
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| ***C. VOTE REQUIRED TO SELL ASSETS OR MERGE.*** | |
| Under the Partnership Agreement, the sale, exchange, transfer or other disposition of all or substantially all of the Partnership s assets does not require the consent the limited partners. However, a merger or consolidation of the Partnership pursuant to which the MLP Units are converted or exchanged for securities of another entity requires the consent of a majority in interest of the limited partners, except under certain circumstances. These circumstances include the MLP merger where MLP Units are being exchanged for securities with preferences, rights and privileges not materially inferior to the preferences, rights and privileges of Common Shares. | Under Maryland law and the LXP declaration, the sale of all or substantially all of Lexington Trust s assets, or a merger or consolidation of Lexington Trust, requires the approval of the LXP board and generally requires the approval of the holders of a majority of the outstanding shares entitled to vote thereon. No approval of the shareholders is required for the sale of less than all or substantially all of Lexington Trust s assets. |
| **COMPENSATION, FEES AND DISTRIBUTIONS** | |
| The General Partner does not receive any compensation for its services as the General Partner. As partners in the Partnership, however, Lex GP-1 and Lex LP-1 have the same right to allocations and distributions as the Partnership s other partners. In addition, the Partnership will reimburse the General Partner (and Lexington Trust) for certain expenses incurred relating to the management of the Partnership. | Lexington Trust s non-employee trustees and officers receive compensation for their services. |
| **LIABILITY OF INVESTORS** | |
| Under the Partnership Agreement and applicable state law, the liability of limited partners for the Partnership s debts and obligations is generally limited to the amount of their investment in the Partnership. | Under Maryland law, Lexington Trust s shareholders are generally not personally liable for its debts or obligations. |
| **NATURE OF INVESTMENT** | |
| The MLP Units constitute equity interests in the Partnership. Generally, unitholders are allocated and distributed amounts in accordance with their respective percentage interest in the Partnership, from time to time, but not less than semi-annually, as determined in the manner provided in the Partnership Agreement and subject to certain restrictions and exceptions for certain limited partners. The Partnership generally intends to retain and reinvest proceeds of the sale of property or excess refinancing | Common Shares constitute equity interests in Lexington Trust. Lexington Trust is entitled to receive its pro rata share of distributions made by the Partnership with respect to the MLP Units held by it, and by its other direct subsidiaries. Each holder of Common Shares will be entitled to its pro rata share of any dividends or distributions paid with respect to the Common Shares. The dividends payable to holders of Common Shares are not fixed in amount and are only paid if, when and as authorized by the |

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| proceeds in the Partnership s business. | LXP board and declared by Lexington Trust. In order to continue to qualify as a REIT, Lexington Trust generally must distribute at least 90% of its net taxable income (excluding capital gains), and any taxable income (including capital gains) not distributed will be subject to corporate income tax. |

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| THE PARTNERSHIP | LEXINGTON TRUST |
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| **POTENTIAL DILUTION OF RIGHTS** | |
| The General Partner is authorized, in its sole discretion and without limited partner approval, to cause the Partnership to issue additional the MLP Units and other equity securities for any partnership purpose at any time to the limited partners or to other persons (including the General Partner or Lexington Trust under certain circumstances set forth in the Partnership Agreement). | The LXP board may authorize Lexington Trust to issue, in its discretion, additional shares, and has the authority to cause Lexington Trust to issue from authorized capital a variety of other equity securities with such powers, preferences and rights as it may designate at the time. The issuance of either additional Common Shares or other similar equity securities may result in the dilution of the interests of the shareholders. |
| **LIQUIDITY** | |
| Holders of MLP Units may not transfer their MLP Units without the General Partner s consent. Without the consent of the General Partner, a transferee will not be (i) admitted to the MLP as a substituted limited partner or (ii) entitled to the same rights as a substituted limited partner. Limited partners have the right to tender their MLP Units for redemption by the Partnership at certain times, as specified in the Partnership Agreement. See The Partnership s Second Amended and Restated Partnership Agreement; Redemption Rights Under the Partnership Agreement elsewhere in this proxy statement/prospectus. | The Common Shares are generally freely transferable as registered securities under the Securities Act. Common Shares are listed on the New York Stock Exchange. The breadth and strength of this secondary market will depend, among other things, upon the number of shares outstanding, Lexington Trust s financial results and prospects, the general interest in Lexington Trust and other real estate investments, and the Partnership s dividend yield compared to that of other debt and equity securities. |
| **FEDERAL INCOME TAXATION** | |
| The Partnership is not subject to federal income taxes. Instead, each unitholder includes its allocable share of the Partnership s taxable income or loss in determining its individual federal income tax liability. The maximum federal income tax rate for individuals under current law is 35%.<br><br>A unitholder s share of income and loss generated by the Partnership generally is subject to the passive activity limitations. Under the passive activity rules, income and loss from the Partnership that are considered passive income generally can be offset against income and loss from other investments that constitute passive activities. Cash distributions from the Partnership are not taxable to a unitholder except to the extent such distributions exceed such unitholder s basis in its interest in the Partnership (which will include such holder s allocable share of | Lexington Trust has elected to be taxed as a REIT. So long as Lexington Trust qualifies as a REIT, it will be permitted to deduct distributions paid to it shareholders, which effectively will reduce the double taxation that typically results when a corporation earns income and distributes that income to its shareholders in the form of dividends. A qualified REIT, however, is subject to federal income tax on income that is not distributed and also may be subject to federal income and excise taxes in certain circumstances. The maximum federal income tax rate for corporations under current law is 35%.<br><br>Dividends paid by Lexington Trust will be treated as portfolio income and cannot be offset with losses from passive activities. The maximum federal income tax rate for individuals under current law is 35%. Distributions made by Lexington Trust to its |

the Partnership s taxable income and nonrecourse debt).

Each year, unitholders will receive a Schedule K-1 containing detailed tax information for inclusion in preparing their federal income tax returns.

taxable domestic shareholders out of current or accumulated earnings and profits will be taken into account by them as ordinary income. Distributions that are designated as capital gain dividends generally will be taxed as long-term capital gain, subject to certain limitations, but generally would not be eligible for certain recently-enacted reduced rates. Distributions in excess of current or accumulated earnings and profits

| THE PARTNERSHIP | LEXINGTON TRUST |
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| Unitholders are required, in some cases, to file state income tax returns and/or pay state income taxes in the states in which the Partnership owns property, even if they are not residents of those states. | will be treated as a non-taxable return of basis to the extent of a shareholder s adjusted basis in its common shares, with the excess taxed as capital gain.<br><br>Each year, shareholders will receive an IRS Form 1099 used by corporations to report dividends paid to their shareholders.<br><br>Shareholders who are individuals generally will not be required to file state income tax returns and/or pay state income taxes outside of their state of residence with respect to Lexington Trust s operations and distributions. Lexington Trust may be required to pay state income taxes in certain states.<br><br>Please see United States Federal Income Tax Consolidations, below. |

## UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The information in this section is based on the Code, existing, temporary and proposed regulations under the Code, the legislative history of the Code, current administrative rulings and practices of the Internal Revenue Service, or IRS, and court decisions, all as of the date hereof. No assurance can be given that future legislation, regulations, administrative interpretations and court decisions will not significantly change current law or adversely affect existing interpretations of current law. Any such change could apply retroactively to transactions preceding the date of the change. In addition, neither Lexington Trust nor the Partnership have received, and neither plan to request, any rulings from the IRS. Thus no assurance can be provided that the statements set forth herein (which do not bind the IRS or the courts) will not be challenged by the IRS or that such statements will be sustained by a court if so challenged.

### Tax Treatment of Exchange of MLP Units in the MLP Merger

The following discussion summarizes certain federal income tax considerations that may be relevant to a holder whose MLP Units are exchanged with Common Shares and, if applicable, cash in connection with the MLP merger.

As described above, in the MLP merger holders of MLP Units will be entitled to receive (1) for each whole MLP Unit, one Common Share and (2) for any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional MLP Unit multiplied by (ii) the average closing prices of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. Such exchange of MLP Units and fractional MLP Units, if any, will be treated as a sale of such MLP Units and fractional MLP Units by the exchanging holder to Lexington Trust at the time such MLP Units and fractional MLP Units are exchanged. This sale will be fully taxable to the exchanging holder. The determination of gain or loss from the sale will be based on the difference between the holder s amount realized for tax purposes and its adjusted tax basis in such MLP Units and fractional MLP Units. The amount realized will be measured by the fair market value of property received (i.e., the Common Shares and cash, if any) plus the portion of the Partnership s liabilities allocable to the MLP Units and fractional MLP Units sold. The amount of MLP liabilities considered in this calculation will include the Partnership s share of the liabilities of some entities in which the Partnership owns an interest. In general, a holder s tax basis is based on the cost of the MLP Units, adjusted for the holder s allocable share of the Partnership s income, loss, distributions and liabilities, as applicable. To the extent that the amount realized exceeds the holder s basis for the MLP Units disposed of, such holder will recognize gain; to the extent that the holder s basis for the MLP Units disposed of exceeds the amount realized, such holder will recognize loss. It is possible that the amount of gain recognized or even the tax liability resulting from such gain could exceed the fair market value of Common Shares received upon such disposition.

**Each holder of MLP Units should consult its own tax advisor regarding the tax consequences to you of the exchange of your units, including the federal, state, local and foreign tax consequences of the exchange of units in your particular circumstances and potential changes in applicable laws.**

Generally, any gain recognized upon a sale or other disposition of MLP Units will be treated as gain attributable to the sale or disposition of a capital asset. To the extent, however, that the amount realized upon the sale of MLP Units attributable to a unitholder s share of the Partnership s unrealized receivables (as defined in Section 751 of the Code) exceeds the basis attributable to those assets, such excess will be treated as ordinary income. Unrealized receivables include, to the extent not previously included in the Partnership s income, any rights to payment for services rendered or to be rendered. Unrealized receivables also include amounts that would be subject to recapture as ordinary income if the Partnership had sold the its assets at their fair market value at the time of the transfer of MLP Units.

Generally, any loss recognized upon a sale or other disposition of MLP Units will be treated as loss attributable to the sale or disposition of a capital asset. Capital losses in any year are generally deductible only to the extent of capital gains plus, in the case of a non-corporate taxpayer, $3,000 of ordinary income ($1,500 for married individuals filing separately).

The passive activity loss rules of the Code limit the use of losses by individuals, estates, trusts and certain closely held corporations and personal service corporations derived from certain passive activities, which generally include investments in limited partnership interests such as the MLP Units. Previously-suspended and unused passive losses of a holder of MLP Units generally may be deducted in full in the taxable year when such holder completely disposes of its MLP Units. Each holder of MLP Units subject to the passive activity loss rules should consult its own tax advisor concerning whether, and the extent to which, it has available suspended passive activity losses that may be used to offset the gain, if any, resulting from the exchange of MLP Units in the MLP merger.

For noncorporate holders, the maximum rate of tax on the net capital gain (i.e., long-term capital gain less short-term capital loss) from a sale or exchange of a long-term capital asset (i.e., a capital asset held for more than 12 months) is 15% (through 2010). The maximum rate for net capital gains attributable to the sale of depreciable real property held for more than 12 months is 25% to the extent of the prior depreciation deductions for unrecaptured Section 1250 gain (that is, depreciation deductions not otherwise recaptured as ordinary income under the existing depreciation recapture rules). Treasury Regulations provide that individuals, trusts and estates are subject to a 25% tax to the extent of their allocable share of unrecaptured Section 1250 gain immediately prior to their sale or disposition of the MLP units (the 25% Amount ). Provided that the MLP Units are held as a long-term capital asset, such holders would be subject to a maximum rate of tax of 15% on the difference, if any, between any gain on the sale or disposition of the MLP Units and the 25% Amount.

It is possible that the exchange by the Partnership in the MLP merger of MLP Units issued in connection with a contribution of property to the Partnership could cause the original transfer of property to the Partnership to be treated as a disguised sale of property. Section 707 of the Code and the Treasury Regulations thereunder (the Disguised Sale Regulations ) generally provide that, unless one of the prescribed exceptions is applicable, a partner s contribution of property to a partnership and a simultaneous or subsequent transfer of money or other consideration (which may include the assumption of or taking subject to a liability) from the partnership to the partner will be presumed to be a sale, in whole or in part, of such property by the partner to the partnership. Further, the Disguised Sale Regulations provide generally that, in the absence of an applicable exception, if money or other consideration is transferred by a partnership to a partner within two years of the partner s contribution of property, the transactions are presumed to be a sale of the contributed property unless the facts and circumstances clearly establish that the transfers do not constitute a sale. The Disguised Sale Regulations also provide that if two years have passed between the transfer of money or other consideration and the contribution of property, the transactions will be presumed not to be a sale unless the facts and circumstances clearly establish that the transfers constitute a sale. Given the amount of time that has passed since the original transfers of properties to the Partnership by current holders of MLP Units other than Lexington Trust, it is unlikely, though still possible, that the exchange of MLP Units in connection with the MLP merger would cause such original transfers to be treated as disguised sales of property under the Disguised Sale Regulations.

**Each holder of MLP Units should consult with its own tax advisor to determine whether the exchange of MLP Units could be subject to the Disguised Sale Regulations.**

**Federal Income Tax Considerations Relating to the REIT**

The following discussion summarizes the material United States federal income tax considerations to you as a prospective holder of Common Shares and assumes that you will hold such shares as capital assets (within the meaning of Section 1221 of the Code). The following discussion is for general information purposes only, is not exhaustive of all possible tax considerations and is not intended to be and should not be construed as tax advice. For example, this summary does not give a detailed discussion of any state, local or foreign tax considerations. In addition, this discussion is intended to address only those federal income tax considerations that are generally applicable to all of Lexington Trust s shareholders. It does not discuss all of the aspects of federal income taxation that may be relevant to you in light of your particular circumstances or to certain types of shareholders who are subject to special treatment under the federal income tax laws including, without limitation, regulated investment companies, insurance companies, tax-exempt entities, financial institutions or broker-dealers, expatriates, persons subject to the alternative minimum tax and partnerships or other pass through entities.

PROSPECTIVE HOLDERS OF COMMON SHARES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF INVESTING IN COMMON SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

**Taxation of the Company**

***General.*** Lexington Trust elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 1993. Lexington Trust believes that it has been organized, and has operated, in such a manner so as to qualify for taxation as a REIT under the Code and intends to conduct its operations so as to continue to qualify for taxation as a REIT. No assurance, however, can be given that Lexington Trust has operated in a manner so as to qualify or will be able to operate in such a manner so as to remain qualified as a REIT. Qualification and taxation as a REIT depend upon Lexington Trust s ability to meet on a continuing basis, through actual annual operating results, the required distribution levels, diversity of share ownership and the various qualification tests imposed under the Code discussed below, the results of which will not be reviewed by counsel. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in Lexington Trust s circumstances, no assurance can be given that the actual results of Lexington Trust s operations for any one taxable year have satisfied or will continue to satisfy such requirements.

In the opinion of Paul, Hastings, Janofsky & Walker LLP, based on certain assumptions and factual representations that are described in this section and in officer s certificates provided by Lexington Trust, Concord Debt Holdings LLC and Concord Debt Funding Trust (both subsidiaries in which we indirectly hold interests), commencing with Lexington Trust s taxable year ended December 31, 1993, Lexington Trust has been organized and operated in conformity with the requirements for qualification as a REIT and its current and proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT. It must be emphasized that this opinion is based on various assumptions and is conditioned upon certain representations made by Lexington Trust, Concord Debt Holdings LLC and Concord Debt Funding Trust as to factual matters including, but not limited to, those set forth herein, and those concerning Lexington Trust s business and properties as set forth in this prospectus. An opinion of counsel is not binding on the IRS or the courts.

The following is a general summary of the Code provisions that govern the federal income tax treatment of a REIT and its shareholders. These provisions of the Code are highly technical and complex. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations and administrative and judicial interpretations thereof, all of which are subject to change prospectively or retroactively.

If Lexington Trust qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on its net income that is currently distributed to shareholders. This treatment substantially eliminates the double taxation (at the corporate and shareholder levels) that generally results from investment in a corporation. However, Lexington Trust will be subject to federal income tax as follows:

First, Lexington Trust will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

Second, under certain circumstances, Lexington Trust may be subject to the alternative minimum tax on its items of tax preference.

Third, if Lexington Trust has (a) net income from the sale or other disposition of foreclosure property, which is, in general, property acquired on foreclosure or otherwise on default on a loan secured by such real property or a lease of such property, which is held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income.

Fourth, if Lexington Trust has net income from prohibited transactions such income will be subject to a 100% tax. Prohibited transactions are, in general, certain sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.

Fifth, if Lexington Trust should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but nonetheless maintain its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which it fails the 75% gross income test or the amount by which 95% (90% for taxable years ending on or prior to December 31, 2004) of its gross income exceeds the amount of income qualifying under the 95% gross income test multiplied by (b) a fraction intended to reflect its profitability.

Sixth, if Lexington Trust should fail to satisfy the asset tests (as discussed below) but nonetheless maintain its qualification as a REIT because certain other requirements have been met and it does not qualify for a de minimis exception, it may be subject to a tax that would be the greater of (a) $50,000; or (b) an amount determined by multiplying the highest rate of tax for corporations by the net income generated by the assets for the period beginning on the first date of the failure and ending on the day it disposes of the nonqualifying assets (or otherwise satisfies the requirements for maintaining REIT qualification).

Seventh, if Lexington Trust should fail to satisfy one or more requirements for REIT qualification, other than the 95% and 75% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a REIT because certain other requirements have been met, it may be subject to a $50,000 penalty for each failure.

Eighth, if Lexington Trust should fail to distribute during each calendar year at least the sum of (a) 85% of its REIT ordinary income for such year, (b) 95% of its REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, Lexington Trust would be subject to a nondeductible 4% excise tax on the excess of such required distribution over the amounts actually distributed.

Ninth, if Lexington Trust acquires any asset from a C corporation (i.e., a corporation generally subject to full corporate level tax) in a transaction in which the basis of the asset in its hands is determined by reference to the basis of the asset (or any other property) in the hands of the C corporation and it does not elect to be taxed at the time of the acquisition, it would be subject to tax at the highest corporate rate if it disposes of such asset during the ten-year period beginning on the date that it acquired that asset, to the extent of such property s built-in gain (the excess of the fair market value of such property at the time of its acquisition over the adjusted basis of such property at such time) (we refer to this tax as the Built-in Gains Tax ).

Tenth, Lexington Trust will incur a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm s-length basis.

Finally, if Lexington Trust owns a residual interest in a real estate mortgage investment conduit, or REMIC, it will be taxable at the highest corporate rate on the portion of any excess inclusion income that it derives from the REMIC residual interests equal to the percentage of its shares that is held in record name by disqualified organizations. Similar rules apply if Lexington Trust owns an equity interest in a taxable mortgage pool. A disqualified organization includes the United States, any state or political subdivision thereof, any foreign government or international organization, any agency or instrumentality of any of the foregoing, any rural electrical or telephone cooperative and any tax-exempt organization (other than a farmer s cooperative described in Section 521 of the Code) that is exempt from income taxation and from the unrelated business taxable income provisions of the Code. However, to the extent that Lexington Trust owns a REMIC residual interest or a taxable mortgage pool through a taxable REIT subsidiary, it will not be subject to this tax. See the heading Requirements for Qualification below.

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***Requirements for Qualification.*** A REIT is a corporation, trust or association (1) that is managed by one or more trustees or directors, (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest, (3) that would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code, (4) that is neither a financial institution nor an insurance company subject to certain provisions of the Code, (5) that has the calendar year as its taxable year, (6) the beneficial ownership of which is held by 100 or more persons, (7) during the last half of each taxable year, not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities), and (8) that meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (1) through (5), inclusive, must be met during the entire taxable year and that condition (6) must be met during at least 335 days of a taxable year of twelve (12) months, or during a proportionate part of a taxable year of less than twelve (12) months.

Lexington Trust may redeem, at its option, a sufficient number of shares or restrict the transfer thereof to bring or maintain the ownership of the shares in conformity with the requirements of the Code. In addition, the LXP declaration includes restrictions regarding the transfer of Lexington Trust s shares that are intended to assist it in continuing to satisfy requirements (6) and (7). Moreover, if Lexington Trust complies with regulatory rules pursuant to which it is required to send annual letters to its shareholders requesting information regarding the actual ownership of its shares, and it does not know, or exercising reasonable diligence would not have known, whether it failed to meet requirement (7) above, it will be treated as having met the requirement.

The Code allows a REIT to own wholly-owned corporate subsidiaries which are qualified REIT subsidiaries. The Code provides that a qualified REIT subsidiary is not treated as a separate corporation, and all of its assets, liabilities and items of income, deduction and credit are treated as assets, liabilities and items of income, deduction and credit of the REIT. Thus, in applying the requirements described herein, Lexington Trust s qualified REIT subsidiaries will be ignored, and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as Lexington Trust s assets, liabilities and items of income, deduction and credit.

For taxable years beginning on or after January 1, 2001, a REIT may also hold any direct or indirect interest in a corporation that qualifies as a taxable REIT subsidiary, as long as the REIT s aggregate holdings of taxable REIT subsidiary securities do not exceed 20% of the value of the REIT s total assets (for taxable years beginning after July 30, 2008, 25% of the value of the REIT s total assets) at the close of each quarter. A taxable REIT subsidiary is a fully taxable corporation that generally is permitted to engage in businesses (other than certain activities relating to lodging and health care facilities), own assets, and earn income that, if engaged in, owned, or earned by the REIT, might jeopardize REIT status or result in the imposition of penalty taxes on the REIT. To qualify as a taxable REIT subsidiary, the subsidiary and the REIT must make a joint election to treat the subsidiary as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation (other than a REIT or a qualified REIT subsidiary) in which a taxable REIT subsidiary directly or indirectly owns more than 35% of the total voting power or value. See Asset Tests below. A taxable REIT subsidiary will pay tax at regular corporate income rates on any taxable income it earns. Moreover, the Code contains rules, including rules requiring the imposition of taxes on a REIT at the rate of 100% on certain reallocated income and expenses, to ensure that contractual arrangements between a taxable REIT subsidiary and its parent REIT are at arm s-length.

In the case of a REIT which is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of each of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share for purposes of satisfying the gross income and assets tests (as discussed below). In addition, the character of the assets and items of gross income of the partnership will retain the same character in the hands of the REIT. Thus, Lexington Trust s proportionate share (based on equity capital) of the assets, liabilities, and items of gross income of the partnerships in which it owns an interest are treated as its assets, liabilities and items of gross income for purposes of applying the requirements described herein. The treatment described above also applies with respect to the ownership of interests in limited liability companies or other entities that are treated as partnerships for tax purposes.

A significant number of Lexington Trust s investments are held through partnerships. If any such partnerships were treated as an association, the entity would be taxable as a corporation and therefore would be subject to an entity level tax on its income. In such a situation, the character of Lexington Trust s assets and items of gross income would change and might preclude it from qualifying as a REIT. Lexington Trust believes that each partnership in which it holds a material interest (either directly or indirectly) is properly treated as a partnership for tax purposes (and not as an association taxable as a corporation).

Special rules apply to a REIT, a portion of a REIT, or a qualified REIT subsidiary that is a taxable mortgage pool. An entity or portion thereof may be classified as a taxable mortgage pool under the Code if:

- o substantially all of the assets consist of debt obligations or interests in debt obligations;
- o more than 50% of those debt obligations are real estate mortgage loans or interests in real estate mortgage loans as of specified testing dates;
- o the entity has issued debt obligations that have two or more maturities; and
- o the payments required to be made by the entity on its debt obligations bear a relationship to the payments to be received by the entity on the debt obligations that it holds as assets.

Under Treasury Regulations, if less than 80% of the assets of an entity (or the portion thereof) consist of debt obligations, these debt obligations are considered not to comprise substantially all of its assets, and therefore the entity would not be treated as a taxable mortgage pool.

An entity or portion thereof that is classified as a taxable mortgage pool is generally treated as a taxable corporation for federal income tax purposes. However, the portion of the REIT s assets, held directly or through a qualified REIT subsidiary, that qualifies as a taxable mortgage pool is treated as a qualified REIT subsidiary that is not subject to corporate income tax and therefore the taxable mortgage pool classification does not change that treatment. The classification of a REIT, qualified REIT subsidiary or portion thereof as a taxable mortgage pool could, however, result in taxation of a REIT and certain of its shareholders as described below.

IRS guidance indicates that a portion of income from a taxable mortgage pool arrangement, if any, could be treated as excess inclusion income. Excess inclusion income is an amount, with respect to any calendar quarter, equal to the excess, if any, of (i) income allocable to the holder of a REMIC residual interest or taxable mortgage pool interest over (ii) the sum of an amount for each day in the calendar quarter equal to the product of (a) the adjusted issue price at the beginning of the quarter multiplied by (b) 120% of the long-term federal rate (determined on the basis of compounding at the close of each calendar quarter and properly adjusted for the length of such quarter). Under the recent guidance, such income would be allocated among Lexington Trust s shareholders in proportion to dividends paid and, generally, may not be offset by net operating losses of the shareholder, would be taxable to tax exempt shareholders who are subject to the unrelated business income tax rules of the Code and would subject non-U.S. shareholders to a 30% withholding tax (without exemption or reduction of the withholding rate). To the extent that excess inclusion income is allocated from a taxable mortgage pool to any disqualified organizations that hold our shares, Lexington Trust may be taxable on this income at the highest applicable corporate tax rate (currently 35%). Because this tax would be imposed on the REIT, all of the REIT s shareholders, including shareholders that are not disqualified organizations, would bear a portion of the tax cost associated with the classification of any portion of Lexington Trust s assets as a taxable mortgage pool.

If Lexington Trust owns less than 100% of the ownership interests in a subsidiary that is a taxable mortgage pool, the foregoing rules would not apply. Rather, the subsidiary would be treated as a corporation for federal income tax purposes and would potentially be subject to corporate income tax. In addition, this characterization would affect Lexington Trust s REIT income and asset test calculations and could adversely affect its ability to qualify as a REIT.

Lexington Trust has made and in the future intends to make investments or enter into financing and securitization transactions that may give rise to its being considered to own an interest, directly or indirectly, in one or more taxable mortgage pools. Prospective holders are urged to consult their own tax advisors regarding the tax consequences of the taxable mortgage pool rules to them in light of their particular circumstances.

***Income Tests.*** In order to maintain qualification as a REIT, Lexington Trust must satisfy annually certain gross income requirements. First, at least 75% of Lexington Trust s gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including rents from real property; gain from the sale of real property other than property held for sale to customers in the ordinary course of business; dividends from, and gain from the sale of shares of, other qualifying REITs; certain interest described further below; and certain income derived from a REMIC) or from certain types of qualified temporary investments. Second, at least 95% of Lexington Trust s gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from income that qualifies under the foregoing 75% gross income test, other types of dividends and interest, gain from the sale or disposition of stock or securities and certain other specified sources. Any income from a hedging transaction entered into after December 31, 2004 that is clearly and timely identified and hedges indebtedness incurred or to be incurred to acquire or carry real estate assets will not constitute gross income, rather than being treated as qualifying or nonqualifying income, for purposes of the 95% gross income test and, with respect to such hedging transactions entered into after July 30, 2008, for purposes of the 75% gross income test as well. For transactions entered into after July 30, 2008, a hedging transaction also includes a transaction entered into to manage foreign currency risks with respect to items of income and gain (or any property which generates such income or gain) that would be qualifying income under the 75% or 95% gross income tests, but only if such transaction is clearly identified before the close of the day it was acquired, originated or entered into. In addition, certain foreign currency gains recognized after July 30, 2008 will be excluded from gross income for purposes of one or both of the gross income tests.

Rents received by Lexington Trust will qualify as rents from real property in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as rents from real property in satisfying the gross income tests if Lexington Trust, or an owner of 10% or more of its shares, actually or constructively owns 10% or more of such tenant. Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property (based on the ratio of fair market value of personal and real property) will not qualify as rents from real property. Finally, in order for rents received to qualify as rents from real property, Lexington Trust generally must not operate or manage the property (subject to a de minimis exception as described below) or furnish or render services to the tenants of such property, other than through an independent contractor from whom Lexington Trust derives no revenue or through a taxable REIT subsidiary. Lexington Trust may, however, directly perform certain services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property ( Permissible Services ).

For Lexington Trust s taxable years commencing on or after January 1, 1998, rents received generally will qualify as rents from real property notwithstanding the fact that it provides services that are not Permissible Services so long as the amount received for such services meets a de minimis standard. The amount received for impermissible services with respect to a property (or, if services are available only to certain tenants, possibly with respect to such tenants) cannot exceed one percent of all amounts received, directly or indirectly, by Lexington Trust with respect to such property (or, if services are available only to certain tenants, possibly with respect to such tenants). The amount that Lexington Trust will be deemed to have received for performing impermissible services will be the greater of the actual amounts so received or 150% of the direct cost to Lexington Trust of providing those services.

Lexington Trust believes that substantially all of its rental income will be qualifying income under the gross income tests, and that its provision of services will not cause the rental income to fail to be qualifying income under those tests.

Generally, interest on debt secured by a mortgage on real property or interests in real property qualifies for purposes of satisfying the 75% gross income test described above. However, if the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the REIT agreed to originate or acquire the loan, a proportionate amount of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. In addition, any interest amount that is based in whole or in part on the income or profits of any person does not qualify for purposes of the foregoing 75% and 95% income tests except (a) amounts that are based on a fixed percentage or percentages of receipts or sales and (b) amounts that are based on the income

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or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying rents from real property if received directly by the REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower s gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property s value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which is generally qualifying income for purposes of both gross income tests.

If Lexington Trust fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for such year if such failure was due to reasonable cause and not willful neglect and it files a schedule describing each item of its gross income for such taxable year in accordance with Treasury Regulations (and for taxable years beginning on or before October 22, 2004, any incorrect information on the schedule was not due to fraud with intent to evade tax). It is not possible, however, to state whether in all circumstances Lexington Trust would be entitled to the benefit of this relief provision. Even if this relief provision applied, a 100% penalty tax would be imposed on the amount by which it failed the 75% gross income test or the amount by which 95% (90% for taxable years ending on or prior to December 31, 2004) of its gross income exceeds the amount of income qualifying under the 95% gross income test (whichever amount is greater), multiplied by a fraction intended to reflect its profitability.

Subject to certain safe harbor exceptions, any gain (including certain foreign currency gain recognized after July 30, 2008) realized by Lexington Trust on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income may also have an adverse effect upon Lexington Trust s ability to qualify as a REIT. In June 2007, Lexington Trust announced a restructuring of its investment strategy, focusing on core and core plus assets. While Lexington Trust believes that the dispositions of our assets pursuant to the restructuring of its investment strategy should not be treated as prohibited transactions, and although it intends to conduct its operations so that it will not be treated as holding its properties for sale, whether a particular sale will be treated as a prohibited transaction depends on all the facts and circumstances with respect to the particular transaction. Lexington Trust has not sought and does not intend to seek a ruling from the IRS regarding any dispositions. Accordingly, there can be no assurance that the IRS will not successfully assert a contrary position with respect to Lexington Trust s dispositions. If all or a significant portion of Lexington Trust s dispositions were treated as prohibited transactions, it would incur a significant U.S. federal tax liability, which could have a material adverse effect on its results of operations.

Lexington Trust will be subject to tax at the maximum corporate rate on any income from foreclosure property (including certain foreign currency gains and related deductions recognized after July 30, 2008), other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property (1) that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured; (2) for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and (3) for which the REIT makes a proper election to treat the property as foreclosure property. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, unless a longer extension is granted by the Secretary of the Treasury or the grace period terminates earlier due to certain nonqualifying income or activities generated with respect to the property.

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***Asset Tests.*** At the close of each quarter of Lexington Trust s taxable year, it must also satisfy the following tests relating to the nature of its assets. At least 75% of the value of Lexington Trust s total assets, including its allocable share of assets held by partnerships in which it owns an interest, must be represented by real estate assets, stock or debt instruments held for not more than one year purchased with the proceeds of an offering of equity securities or a long-term (at least five years) public debt offering by it, cash, cash items (including certain receivables) and government securities. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and certain kinds of mortgage-backed securities (including regular or residual interests in a REMIC to the extent provided in the Code) and mortgage loans. In addition, not more than 25% of Lexington Trust s total assets may be represented by securities other than those in the 75% asset class. Not more than 20% of the value of Lexington Trust s total assets (for taxable years beginning after July 30, 2008, 25% of the value of our total assets) may be represented by securities of one or more taxable REIT subsidiaries (as defined above under Requirements for Qualification ). Except for investments included in the 75% asset class, securities in a taxable REIT subsidiary or qualified REIT subsidiary and certain partnership interests and debt obligations, (1) not more than 5% of the value of Lexington Trust s total assets may be represented by securities of any one issuer (the 5% asset test ), (2) Lexington Trust may not hold securities that possess more than 10% of the total voting power of the outstanding securities of a single issuer (the 10% voting securities test ) and (3) Lexington Trust may not hold securities that have a value of more than 10% of the total value of the outstanding securities of any one issuer (the 10% value test ).

The following assets are not treated as securities held by Lexington Trust for purposes of the 10% value test (i) straight debt meeting certain requirements, unless Lexington Trust holds (either directly or through its controlled taxable REIT subsidiaries) certain other securities of the same corporate or partnership issuer that have an aggregate value greater than 1% of such issuer s outstanding securities; (ii) loans to individuals or estates; (iii) certain rental agreements calling for deferred rents or increasing rents that are subject to Section 467 of the Code, other than with certain related persons; (iv) obligations to pay Lexington Trust amounts qualifying as rents from real property under the 75% and 95% gross income tests; (v) securities issued by a state or any political subdivision of a state, the District of Columbia, a foreign government, any political subdivision of a foreign government, or the Commonwealth of Puerto Rico, but only if the determination of any payment received or accrued under the security does not depend in whole or in part on the profits of any person not described in this category, or payments on any obligation issued by such an entity; (vi) securities issued by another qualifying REIT; and (vii) other arrangements identified in Treasury Regulations (which have not yet been issued or proposed). In addition, any debt instrument issued by a partnership will not be treated as a security under the 10% value test if at least 75% of the partnership s gross income (excluding gross income from prohibited transactions) is derived from sources meeting the requirements of the 75% gross income test. If the partnership fails to meet the 75% gross income test, then the debt instrument issued by the partnership nevertheless will not be treated as a security to the extent of our interest as a partner in the partnership. Also, in looking through any partnership to determine Lexington Trust s allocable share of any securities owned by the partnership, Lexington Trust s share of the assets of the partnership, solely for purposes of applying the 10% value test in taxable years beginning on or after January 1, 2005, will correspond not only to its interest as a partner in the partnership but also to its proportionate interest in certain debt securities issued by the partnership.

Through Lexington Trust s investment in Concord Debt Holdings LLC, it may hold mezzanine loans that are secured by equity interests in a non-corporate entity that directly or indirectly owns real property. IRS Revenue Procedure 2003-65 provides a safe harbor pursuant to which a mezzanine loan to such a non-corporate entity, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from it will be treated as qualifying mortgage interest for purposes of the 75% gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Moreover, not all of the mezzanine loans that Lexington Trust holds meet all of the requirements for reliance on this safe harbor. Lexington Trust has invested, and intends to continue to invest, in mezzanine loans in a manner that will enable it to continue to satisfy the gross income and asset tests.

Lexington Trust may also hold through its investment in Concord Debt Holdings LLC certain participation interests, or B-Notes, in mortgage loans and mezzanine loans originated by other lenders. A B-Note is an interest created in an underlying loan by virtue of a participation or similar agreement, to which the originator of the loan is a party, along with one or more participants. The borrower on the underlying loan is typically not a party to the participation agreement. The performance of a participant s investment depends upon the performance of the underlying loan, and if the underlying borrower defaults, the participant typically has no recourse against the originator of the loan. The originator often retains a senior position in the underlying loan, and grants junior participations, which will be a first loss position in the event of a default by the borrower. The appropriate treatment of participation interests for federal income tax purposes is not entirely certain. Lexington Trust believes that it has invested, and intends to continue to invest, in participation interests that qualify as real estate assets for purposes of the asset tests, and that generate interest that will be treated as qualifying mortgage interest for purposes of the 75% gross income test, but no assurance can be given that the IRS will not challenge our treatment of these participation interests.

Lexington Trust believes that substantially all of its assets consist of (1) real properties, (2) stock or debt investments that earn qualified temporary investment income, (3) other qualified real estate assets, including qualifying REITs, and (4) cash, cash items and government securities. Lexington Trust also believes that the value of its securities in its taxable REIT subsidiaries will not exceed 20% of the value of its total assets (or, beginning with its 2009 taxable year, 25% of the value of its total assets). Lexington Trust may also invest in securities of other entities, provided that such investments will not prevent Lexington Trust from satisfying the asset and income tests for REIT qualification set forth above. If any interest Lexington Trust holds in any REIT (including Concord Debt Funding Trust) or other category of permissible investment described above does not qualify as such, Lexington Trust would be subject to the 5% asset test and the 10% voting securities and value tests with respect to such investment.

After initially meeting the asset tests at the close of any quarter, Lexington Trust will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values (including, for taxable years beginning after July 30, 2008, discrepancies caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If Lexington Trust inadvertently fails one or more of the asset tests at the end of a calendar quarter because it acquires securities or other property during the quarter, it can cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of the calendar quarter in which it arose. If Lexington Trust were to fail any of the asset tests at the end of any quarter without curing such failure within 30 days after the end of such quarter, it would fail to qualify as a REIT, unless it were to qualify under certain relief provisions enacted in 2004. Under one of these relief provisions, if Lexington Trust were to fail the 5% asset test, the 10% voting securities test, or the 10% value test, it nevertheless would continue to qualify as a REIT if the failure was due to the ownership of assets having a total value not exceeding the lesser of 1% of its assets at the end of the relevant quarter or $10,000,000, and it were to dispose of such assets (or otherwise meet such asset tests) within six months after the end of the quarter in which the failure was identified. If Lexington Trust were to fail to meet any of the REIT asset tests for a particular quarter, but it did not qualify for the relief for de minimis failures that is described in the preceding sentence, then it would be deemed to have satisfied the relevant asset test if: (i) following its identification of the failure, it was to file a schedule with a description of each asset that caused the failure; (ii) the failure was due to reasonable cause and not due to willful neglect; (iii) it was to dispose of the non-qualifying asset (or otherwise meet the relevant asset test) within six months after the last day of the quarter in which the failure was identified, and (iv) it was to pay a penalty tax equal to the greater of $50,000, or the highest corporate tax rate multiplied by the net income generated by the non-qualifying asset during the period beginning on the first date of the failure and ending on the date it disposes of the asset (or otherwise cures the asset test failure). These relief provisions will be available to Lexington Trust in its taxable years beginning on or after January 1, 2005, although it is not possible to predict whether in all circumstances it would be entitled to the benefit of these relief provisions.

***Annual Distribution Requirement.*** With respect to each taxable year, Lexington Trust must distribute to its shareholders as dividends (other than capital gain dividends) at least 90% of its taxable income. Specifically, Lexington Trust must distribute an amount equal to (1) 90% of the sum of its REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain), and any after-tax net income from foreclosure property, minus (2) the sum of certain items of excess noncash income such as income attributable to leveled stepped rents, cancellation of indebtedness and original issue discount. REIT taxable income is generally computed in the same manner as taxable income of ordinary corporations, with several adjustments, such as a deduction allowed for dividends paid, but not for dividends received.

Lexington Trust will be subject to tax on amounts not distributed at regular United States federal corporate income tax rates. In addition, a nondeductible 4% excise tax is imposed on the excess of (1) 85% of Lexington Trust s ordinary income for the year plus 95% of capital gain net income for the year and the undistributed portion of the required distribution for the prior year over (2) the actual distribution to shareholders during the year (if any). Net operating losses generated by Lexington Trust may be carried forward but not carried back and used by it for 15 years (or 20 years in the case of net operating losses generated in its tax years commencing on or after January 1, 1998) to reduce REIT taxable income and the amount that it will be required to distribute in order to remain qualified as a REIT. As a REIT, Lexington Trust s net capital losses may be carried forward for five years (but not carried back) and used to reduce capital gains.

In general, a distribution must be made during the taxable year to which it relates to satisfy the distribution test and to be deducted in computing REIT taxable income. However, Lexington Trust may elect to treat a dividend declared and paid after the end of the year (a subsequent declared dividend ) as paid during such year for purposes of complying with the distribution test and computing REIT taxable income, if the dividend is (1) declared before the regular or extended due date of Lexington Trust s tax return for such year and (2) paid not later than the date of the first regular dividend payment made after the declaration, but in no case later than 12 months after the end of the year. For purposes of computing the nondeductible 4% excise tax, a subsequent declared dividend is considered paid when actually distributed. Furthermore, any dividend that is declared by Lexington Trust in October, November or December of a calendar year, and payable to shareholders of record as of a specified date in such quarter of such year will be deemed to have been paid by it (and received by shareholders) on December 31 of such calendar year, but only if such dividend is actually paid by it in January of the following calendar year.

For purposes of complying with the distribution test for a taxable year as a result of an adjustment in certain of our items of income, gain or deduction by the IRS or Lexington Trust, Lexington Trust may be permitted to remedy such failure by paying a deficiency dividend in a later year together with interest. Such deficiency dividend may be included in Lexington Trust s deduction of dividends paid for the earlier year for purposes of satisfying the distribution test. For purposes of the nondeductible 4% excise tax, the deficiency dividend is taken into account when paid, and any income giving rise to the deficiency adjustment is treated as arising when the deficiency dividend is paid.

Lexington Trust believes that it has distributed and intends to continue to distribute to its shareholders in a timely manner such amounts sufficient to satisfy the annual distribution requirements. However, it is possible that timing differences between the accrual of income and its actual collection, and the need to make nondeductible expenditures (such as capital improvements or principal payments on debt) may cause Lexington Trust to recognize taxable income in excess of its net cash receipts, thus increasing the difficulty of compliance with the distribution requirement. In addition, excess inclusion income might be non-cash accrued income, or phantom taxable income, which could therefore adversely affect Lexington Trust s ability to satisfy its distribution requirements. In order to meet the distribution requirement, Lexington Trust might find it necessary to arrange for short-term, or possibly long-term, borrowings.

***Failure to Qualify.*** Commencing with Lexington Trust s taxable year beginning January 1, 2005, if it were to fail to satisfy one or more requirements for REIT qualification, other than an asset or income test violation of a type for which relief is otherwise available as described above, it would retain our REIT qualification if the failure was due to reasonable cause and not willful neglect, and if it were to pay a penalty of $50,000 for each such failure. It is not possible to predict whether in all circumstances Lexington Trust would be entitled to the benefit of this relief provision. If Lexington Trust fails to qualify as a REIT for any taxable year, and if certain relief provisions of the Code do not apply, Lexington Trust would be subject to federal income tax (including applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which Lexington Trust fails to qualify will not be deductible from its taxable income nor will they be required to be made. As a result, Lexington Trust s failure to qualify as a REIT would reduce the cash available for distribution by it to its shareholders. In addition, if Lexington Trust fails to qualify as a REIT, all distributions to shareholders will be taxable as ordinary income, to the extent of Lexington Trust s current and accumulated earnings and profits. Subject to certain limitations of the Code, corporate distributees may be eligible for the dividends-received deduction and shareholders taxed as individuals may be eligible for a reduced tax rate on qualified dividend income from regular C corporations.

If Lexington Trust s failure to qualify as a REIT is not due to reasonable cause but results from willful neglect, it would not be permitted to elect REIT status for the four taxable years after the taxable year for which such disqualification is effective. In the event Lexington Trust was to fail to qualify as a REIT in one year and subsequently requalify in a later year, it may elect to recognize taxable income based on the net appreciation in value of its assets as a condition to requalification. In the alternative, Lexington Trust may be taxed on the net appreciation in value of its assets if it sells properties within ten years of the date it requalifies as a REIT under federal income tax laws.

**Taxation of Shareholders**

As used herein, the term U.S. shareholder means a beneficial owner of Common Shares who (for United States federal income tax purposes) (1) is a citizen or resident of the United States, (2) is a corporation or other entity treated as a corporation for federal income tax purposes created or organized in or under the laws of the United States or of any political subdivision thereof, (3) is an estate the income of which is subject to United States federal income taxation regardless of its source or (4) is a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or a trust that has a valid election to be treated as a U.S. person pursuant to applicable Treasury Regulations. As used herein, the term non U.S. shareholder means a beneficial owner of Common Shares who is not a U.S. shareholder or a partnership.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a shareholder, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A shareholder that is a partnership and the partners in such partnership should consult their own tax advisors concerning the U.S. federal income tax consequences of acquiring, owning and disposing of our common shares.

**Taxation of Taxable U.S. Shareholders.**

As long as Lexington Trust qualifies as a REIT, distributions made to its U.S. shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income and corporate shareholders will not be eligible for the dividends-received deduction as to such amounts. For purposes of computing Lexington Trust s earnings and profits, depreciation for depreciable real estate will be computed on a straight-line basis over a 40-year period. For purposes of determining whether distributions on the shares constitute dividends for tax purposes, Lexington Trust s earnings and profits will be allocated first to distributions with respect to the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and all other series of preferred shares that are equal in rank as to distributions and upon liquidation with the Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares, and second to distributions with respect to Common Shares. There can be no assurance that Lexington Trust will have sufficient earnings and profits to cover distributions on any Common Shares. Certain qualified dividend income received by domestic non-corporate shareholders in taxable years prior to 2011 is subject to tax at the same tax rates as long-term capital gain (generally a maximum rate of 15% for such taxable years). Dividends paid by a REIT generally do not qualify as qualified dividend income because a REIT is not generally subject to federal income tax on the portion of its REIT taxable income distributed to its shareholders. Therefore, Lexington Trust s dividends will continue to be subject to tax at ordinary income rates, subject to two narrow exceptions. Under the first exception, dividends received from a REIT may be treated as qualified dividend income eligible for the reduced tax rates to the extent that the REIT itself has received qualified dividend income from other corporations (such as taxable REIT subsidiaries) in which the REIT has invested. Under the second exception, dividends paid by a REIT in a taxable year may be treated as qualified dividend income in an amount equal to the sum of (i) the excess of the REIT s REIT taxable income for the preceding taxable year over the corporate-level federal income tax payable by the REIT for such preceding taxable year and (ii) the excess of the REIT s income that was subject to the Built-in Gains Tax (as described above) in the preceding taxable year over the tax payable by the REIT on such income for such preceding taxable year. Lexington Trust does not expect to distribute a material amount of qualified dividend income, if any.

Distributions that are properly designated as capital gain dividends will be taxed as gains from the sale or exchange of a capital asset held for more than one year (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its shares. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income under the

Code. Capital gain dividends, if any, will be allocated among different classes of shares in proportion to the allocation of earnings and profits discussed above.

Distributions in excess of Lexington Trust s current and accumulated earnings and profits will constitute a non-taxable return of capital to a shareholder to the extent that such distributions do not exceed the adjusted basis of the shareholder s shares, and will result in a corresponding reduction in the shareholder s basis in the shares. Any reduction in a shareholder s tax basis for its shares will increase the amount of taxable gain or decrease the deductible loss that will be realized upon the eventual disposition of the shares. Lexington Trust will notify shareholders at the end of each year as to the portions of the distributions which constitute ordinary income, capital gain or a return of capital. Any portion of such distributions that exceeds the adjusted basis of a U.S. shareholder s shares will be taxed as capital gain from the disposition of shares, provided that the shares are held as capital assets in the hands of the U.S. shareholder.

Aside from the different income tax rates applicable to ordinary income and capital gain dividends for noncorporate taxpayers, regular and capital gain dividends from Lexington Trust will be treated as dividend income for most other federal income tax purposes. In particular, such dividends will be treated as portfolio income for purposes of the passive activity loss limitation and shareholders generally will not be able to offset any passive losses against such dividends. Capital gain dividends and qualified dividend income may be treated as investment income for purposes of the investment interest limitation contained in Section 163(d) of the Code, which limits the deductibility of interest expense incurred by noncorporate taxpayers with respect to indebtedness attributable to certain investment assets.

In general, dividends paid by Lexington Trust will be taxable to shareholders in the year in which they are received, except in the case of dividends declared at the end of the year, but paid in the following January, as discussed above.

In general, a U.S. shareholder will realize capital gain or loss on the disposition of shares equal to the difference between (1) the amount of cash and the fair market value of any property received on such disposition and (2) the shareholder s adjusted basis of such shares. Such gain or loss will generally be short-term capital gain or loss if the shareholder has not held such shares for more than one year and will be long-term capital gain or loss if such shares have been held for more than one year. Loss upon the sale or exchange of shares by a shareholder who has held such shares for six months or less (after applying certain holding period rules) will be treated as long-term capital loss to the extent of distributions from us required to be treated by such shareholder as long-term capital gain.

Lexington Trust may elect to retain and pay income tax on net long-term capital gains. If Lexington Trust makes such an election, you, as a holder of shares, will (1) include in your income as long-term capital gains your proportionate share of such undistributed capital gains (2) be deemed to have paid your proportionate share of the tax paid by Lexington Trust on such undistributed capital gains and thereby receive a credit or refund for such amount and (3) in the case of a U.S. shareholder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS. As a holder of shares you will increase the basis in your shares by the difference between the amount of capital gain included in your income and the amount of tax you are deemed to have paid. Lexington Trust s earnings and profits will be adjusted appropriately.

**Taxation of Non-U.S. Shareholders.**

The following discussion is only a summary of the rules governing United States federal income taxation of non-U.S. shareholders such as nonresident alien individuals and foreign corporations. Prospective non-U.S. shareholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws with regard to an investment in shares, including any reporting requirements.

***Distributions.*** Distributions that are not attributable to gain from sales or exchanges by Lexington Trust of United States real property interests or otherwise effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business and that are not designated by Lexington Trust as capital gain dividends will be treated as dividends of ordinary income to the extent that they are made out of Lexington Trust s current or accumulated earnings and profits. Such distributions ordinarily will be subject to a withholding tax equal to 30% of the gross

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amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Certain tax treaties limit the extent to which dividends paid by a REIT can qualify for a reduction of the withholding tax on dividends. Lexington Trust s dividends that are attributable to excess inclusion income will be subject to 30% U.S. withholding tax without reduction under any otherwise applicable tax treaty. See Taxation of the Company Requirements for Qualification above. Distributions in excess of Lexington Trust s current and accumulated earnings and profits will not be taxable to a non-U.S. shareholder to the extent that they do not exceed the adjusted basis of the shareholder s shares, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a non-U.S. shareholder s shares, they will give rise to tax liability if the non-U.S. shareholder would otherwise be subject to tax on any gain from the sale or disposition of his shares, as described below. If a distribution is treated as effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such distribution, and a non-U.S. shareholder that is a corporation also may be subject to the 30% branch profits tax with respect to the distribution.

For withholding tax purposes, Lexington Trust is generally required to treat all distributions as if made out of its current or accumulated earnings and profits and thus intend to withhold at the rate of 30% (or a reduced treaty rate if applicable) on the amount of any distribution (other than distributions designated as capital gain dividends) made to a non-U.S. shareholder. Lexington Trust would not be required to withhold at the 30% rate on distributions it reasonably estimates to be in excess of our current and accumulated earnings and profits. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to ordinary dividends. However, the non-U.S. shareholder may seek a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of Lexington Trust s current or accumulated earnings and profits, and the amount withheld exceeded the non-U.S. shareholder s United States tax liability, if any, with respect to the distribution.

For any year in which Lexington Trust qualifies as a REIT, distributions to non-U.S. shareholders who own more than 5% of its shares and that are attributable to gain from sales or exchanges by us of United States real property interests will be taxed under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ( FIRPTA ). Under FIRPTA, a non-U.S. shareholder is taxed as if such gain were effectively connected with a United States business. Non-U.S. shareholders who own more than 5% of Lexington Trust s shares would thus be taxed at the normal capital gain rates applicable to U.S. shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Also, distributions made to non-U.S. shareholders who own more than 5% of our shares may be subject to a 30% branch profits tax in the hands of a corporate non-U.S. shareholder not entitled to treaty relief or exemption. Lexington Trust is required by applicable regulations to withhold 35% of any distribution that could be designated by it as a capital gain dividend regardless of the amount actually designated as a capital gain dividend. This amount is creditable against the non-U.S. shareholder s FIRPTA tax liability.

Under the Tax Increase Prevention and Reconciliation Act of 2005 ( TIPRA ), enacted on May 17, 2006, distributions, made to REIT or regulated investment company ( RIC ) shareholders, that are attributable to gain from sales or exchanges of United States real property interests will retain their character as gain subject to the rules of FIRPTA discussed above when distributed by such REIT or RIC shareholders to their respective shareholders. This provision is effective for taxable years beginning after December 31, 2005.

If a non-U.S. shareholder does not own more than 5% of Lexington Trust s shares during the one-year period prior to a distribution attributable to gain from sales or exchanges by Lexington Trust of United States real property interests, such distribution will not be considered to be gain effectively connected with a U.S. business as long as the class of shares continues to be regularly traded on an established securities market in the United States. As such, a non-U.S. shareholder who does not own more than 5% of Lexington Trust s shares would not be required to file a U.S. Federal income tax return by reason of receiving such a distribution. In this case, the distribution will be treated as a REIT dividend to that non-U.S. shareholder and taxed as a REIT dividend that is not a capital gain distribution as described above. In addition, the branch profits tax will not apply to such distributions. If Common Shares cease to be regularly traded on an established securities market in the United States, all non-U.S. shareholders of Common Shares would be subject to taxation under FIRPTA with respect to capital gain distributions attributable to gain from the sale or exchange of United States real property interests.

***Dispositions.*** Gain recognized by a non-U.S. shareholder upon a sale or disposition of Common Shares generally will not be taxed under FIRPTA if Lexington Trust is a domestically controlled REIT, defined generally as a REIT in which at all times during a specified testing period less than 50% in value of our shares was held directly or indirectly by non-U.S. persons. Lexington Trust believes, but cannot guarantee, that it has been a domestically controlled REIT. However, because Lexington Trust s shares are publicly traded, no assurance can be given that it will continue to be a domestically controlled REIT.

Notwithstanding the general FIRPTA exception for sales of domestically controlled REIT stock discussed above, a disposition of domestically controlled REIT stock will be taxable if the disposition occurs in a wash sale transaction relating to a distribution on such stock. In addition, FIRPTA taxation will apply to substitute dividend payments received in securities lending transactions or sale-repurchase transactions of domestically controlled REIT stock to the extent such payments are made to shareholders in lieu of distributions that would have otherwise been subject to FIRPTA taxation. The foregoing rules regarding wash sales and substitute dividend payments with respect to domestically controlled REIT stock will not apply to stock that is regularly traded on an established securities market within the United States and held by a non-U.S. shareholder that held five percent or less of such stock during the one-year period prior to the related distribution. These rules are effective for distributions on and after June 16, 2006. Prospective purchasers are urged to consult their own tax advisors regarding the applicability of the new rules enacted under TIPRA to their particular circumstances.

In addition, a non-U.S. shareholder that owns, actually or constructively, 5% or less of a class of Lexington Trust s shares through a specified testing period, whether or not Lexington Trust s shares are domestically controlled, will not be subject to tax on the sale of its shares under FIRPTA if the shares are regularly traded on an established securities market. If the gain on the sale of shares were to be subject to taxation under FIRPTA, the non-U.S. shareholder would be subject to the same treatment as U.S. shareholders with respect to such gain (subject to applicable alternative minimum tax, special alternative minimum tax in the case of nonresident alien individuals and possible application of the 30% branch profits tax in the case of foreign corporations) and the purchaser would be required to withhold and remit to the IRS 10% of the purchase price.

Gain not subject to FIRPTA will be taxable to a non-U.S. shareholder if (1) investment in the shares is effectively connected with the non-U.S. shareholder s U.S. trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain, or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and such nonresident alien individual has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual s capital gain.

**Taxation of Tax-Exempt Shareholders.**

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts ( Exempt Organizations ), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ( UBTI ). While investments in real estate may generate UBTI, the IRS has issued a published ruling to the effect that dividend distributions by a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of Lexington Trust shares with debt, a portion of its income from Lexington Trust, if any, will constitute UBTI pursuant to the debt-financed property rules under the Code. In addition, our dividends that are attributable to excess inclusion income will constitute UBTI for most Exempt Organizations. See Taxation of the Company Requirements for Qualification above. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under specified provisions of the Code are subject to different UBTI rules, which generally will require them to characterize distributions from Lexington Trust as UBTI.

In addition, a pension trust that owns more than 10% of Lexington Trust s shares is required to treat a percentage of the dividends from us as UBTI (the UBTI Percentage ) in certain circumstances. The UBTI Percentage is Lexington Trust s gross income derived from an unrelated trade or business (determined as if Lexington Trust were a pension trust) divided by Lexington Trust s total gross income for the year in which the dividends are paid. The UBTI rule applies only if (i) the UBTI Percentage is at least 5%, (ii) Lexington Trust qualifies as a REIT by reason of the modification of the 5/50 Rule that allows the beneficiaries of the pension trust to be treated as holding Lexington Trust s shares in proportion to their actuarial interests in the pension trust, and (iii) either (A) one pension trust owns more than 25% of the value of Lexington Trust s shares or (B) a group of pension trusts individually holding more than 10% of the value of Lexington Trust s capital shares collectively owns more than 50% of the value of Lexington Trust s capital shares.

**Information Reporting and Backup Withholding**

***U.S. Shareholders.***

Lexington Trust will report to U.S. shareholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a U.S. shareholder may be subject to backup withholding, currently at a rate of 28%, with respect to dividends paid unless such holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. shareholder who does not provide Lexington Trust with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Amounts withheld as backup withholding will be creditable against the shareholder s income tax liability if proper documentation is supplied. In addition, Lexington Trust may be required to withhold a portion of capital gain distributions made to any shareholders who fail to certify their non-foreign status to us.

***Non-U.S. Shareholders.***

Generally, Lexington Trust must report annually to the IRS the amount of dividends paid to a non-U.S. shareholder, such holder s name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. shareholder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-U.S. shareholder s country of residence. Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. shareholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-United States status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either Lexington Trust has or its paying agent has actual knowledge, or reason to know, that a non-U.S. shareholder is a United States person.

Backup withholding is not an additional tax. Rather, the United States income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is furnished to the IRS.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the number of units held as of November 24, 2008 by each person that, to the Partnership s knowledge, beneficially owns more than 5% of the total number of MLP Units. No officer or trustee of Lexington Trust or the General Partner owns any MLP Units.

| Name and Address of Beneficial Owner | Number of Units | Percent of Total Units |
|---|---|---|
| Lexington Realty Trust (1) | 65,633,979 | 91.1% |

(1) Beneficially owned through Lex LP-1 Trust, its wholly-owned subsidiary. The address for Lexington Trust

is One Penn
Plaza,
Suite 4015, New
York, NY
10119-4015.

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## SECTION 16 COMPLIANCE

Based solely upon a review of the filings furnished to your Partnership pursuant to Rule 16a-3(e) promulgated under the Exchange Act and written representations from its executive officers, general partner and persons who own beneficially more than 10% of outstanding units, all filing requirements of Section 16(a) of the Exchange Act were timely complied with through the date hereof.

## EXPENSES

The Partnership and Lexington Trust will bear the cost of preparing, printing, assembling and mailing the proxy card, proxy statement/prospectus and other materials that may be sent to Shareholders in connection with this solicitation.

## WHERE YOU CAN FIND MORE INFORMATION

The Partnership and Lexington Trust file periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. You may read and copy that information at the SEC s public reference room at the following location:

Public Reference Room
100 F Street, N.E., Room 1580
Washington, D.C. 20549
1-800-732-0330

You may also obtain copies of this information by mail from the Public Reference Section of the Securities and Exchange Commission, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-732-0330 for information on the operation of the public reference room.

The SEC also maintains an Internet world wide website that contains periodic reports, proxy statements and other information about issuers, including the Partnership and Lexington Trust, which file electronically with the SEC. The address of that site is *http://www.sec.gov.*

In addition, Lexington Trust s and the Partnership s SEC filings are available to the public on Lexington Trust s website, www.lxp.com. Information contained on Lexington Trust s website or the website of any other person is not incorporated by reference into this proxy statement/prospectus, and you should not consider information contained on those websites as part of this proxy statement/prospectus.

The following documents were previously filed or furnished with the SEC and are annexed to, and incorporated into, this proxy statement/prospectus (except for the furnished portions). These documents contain important information about the Partnership and the Partnership s financial condition and Lexington Trust and its financial condition.

| **Description** | **Period** | **Annex Page Number** |
|---|---|---|
| **Lexington Trust Filings (File No. 1-12386):** | | |
| Annual Report on Form 10-K | Year ended December 31, 2007, | B-1 |
| Quarterly Reports on Form 10-Q | Quarter ended September 30, 2008 | B-127 |
| Current Reports on Form 8-K | June 25, 2008 | B-166 |
| | September 30, 2008 | B-181 |
| Definitive Proxy Statement on Schedule 14A | May 20, 2008 | B-246 |
| **The LXP Declaration** | | B-293 |
| **The LXP Bylaws** | | B-344 |
| **Partnership Filings (File No. 0-50268):** | | |
| Annual Report on Form 10-K | Year ended December 31, 2007, | C-1 |
| Quarterly Reports on Form 10-Q | Quarter ended September 30, 2008 | C-99 |
| **The Partnership Agreement** | | C-136 |

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The Partnership and Lexington Trust will provide you with copies of any filings with the SEC relating to the Partnership and Lexington Trust, without charge, if you request them in writing or by telephone from:

Lexington Realty Trust
One Penn Plaza, Suite 4015
New York, New York 10119-4015
Attention: Investor Relations
Telephone: (212) 692-7200

**If you would like to request documents, please do so by December 22, 2008, in order to receive them before the anticipated date for taking action with respect to the MLP merger.**

Lexington Trust has supplied all information contained in or incorporated by reference in this proxy statement/prospectus relating to Lexington Trust, and the Partnership has supplied all information contained in this proxy statement/prospectus relating to the Partnership.

## LEGAL MATTERS

The validity of the Common Shares to be issued in the MLP merger will be opined upon for Lexington Trust by Venable LLP. Paul, Hastings, Janofsky & Walker LLP will deliver its opinion to Lexington Trust as to certain federal income tax matters.

## EXPERTS

The consolidated financial statements and related financial statement schedule of Lexington Realty Trust and subsidiaries included in Lexington Trust s Annual Report on Form 10-K as of December 31, 2007 and 2006, and for each of the years in the three-year period ended December 31, 2007, and Management s Annual Report on Internal Controls over Financial Reporting as of December 31, 2007, have been included herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedule of The Lexington Master Limited Partnership and subsidiaries included in the Partnership s Annual Report on Form 10-K as of December 31, 2007 and for the year then ended, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of The Lexington Master Limited Partnership as of December 31, 2006 and for the years ended December 31, 2006 and 2005 and related financial statement schedule included in this proxy statement/prospectus as part of Annex C and in the registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such consolidated financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## SUBMISSION OF LIMITED PARTNER PROPOSALS

The Partnership does not hold annual meetings of limited partners. Management is not aware of any other matters to be brought before the special meeting.

## WARNING ABOUT FORWARD LOOKING STATEMENTS

Lexington Trust and the Partnership have made forward-looking statements in this proxy statement/prospectus and in the documents annexed to this proxy statement/prospectus, which are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of Lexington Trust and the Partnership, as the case may be, and on the information currently available to them.

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When used or referred to in this proxy statement/prospectus or the documents annexed to this proxy statement/prospectus, these forward-looking statements may be preceded by, followed by or otherwise include the words believes, expects, anticipates, intends, plans, estimates, projects or similar expressions, or statement certain events or conditions will or may occur. Forward-looking statements in this joint proxy statement/prospectus also include:

- statements relating to the anticipated cost savings expected to result from the MLP merger;
- statements regarding other perceived benefits expected to result from the MLP merger;
- statements with respect to various actions to be taken or requirements to be met in connection with completing the MLP merger; and
- statements relating to revenue, income and operations of the combined company after the MLP merger is completed.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The following factors, among others, including those discussed in the section of this joint proxy statement/prospectus entitled Risk Factors, could cause actual results to differ materially from those described in the forward-looking statements:

- cost savings expected from the MLP merger may not be fully realized;
- revenue of the combined company following the MLP merger may be lower than expected;
- general economic conditions, either internationally or nationally or in the jurisdictions in which Lexington Trust or the Partnership are doing business, may be less favorable than expected;
- legislative or regulatory changes, including changes in environmental regulation, may adversely affect the businesses in which Lexington Trust and the Partnership are engaged;
- there may be environmental risks and liability under federal, state and foreign environmental laws and regulations; and
- changes may occur in the securities or capital markets.

Except for its ongoing obligations to disclose material information as required by the federal securities laws, neither Lexington Trust nor the Partnership has any intention or obligation to update these forward-looking statements after it distributes this proxy statement/prospectus.

## WHAT INFORMATION YOU SHOULD RELY ON

No person has been authorized to give any information or to make any representation that differs from, or adds to, the information discussed in this proxy statement/prospectus or in the annexes attached hereto which are specifically incorporated into this proxy statement/prospectus. Therefore, if anyone gives you different or additional information, you should not rely on it.

This proxy statement/prospectus is dated , 2008. The information contained in this proxy statement/prospectus speaks only as of its date unless the information specifically indicates that another date applies. This proxy statement/prospectus does not constitute an offer to exchange or sell, or a solicitation of an offer to exchange or purchase, Common Shares or to ask for proxies, to or from any person to whom it is unlawful to direct these activities.

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# LEXINGTON REALTY TRUST
# INDEX TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial statements were prepared in accordance with Article 11 of SEC Regulation S-X to reflect the MLP merger. The MLP merger will be accounted for as a redemption of the minority interest s MLP Units in the MLP merger using the carrying value of the MLP Units. The Partnership is currently consolidated into Lexington Trust on Lexington Trust s stepped-up basis from its acquisition of the Partnership in December 2006 in the merger of Newkirk Realty Trust, Inc. with and into Lexington Trust. The Partnership s historical financial statements, while presented in Annex C for informational purposes, are on a different (historical) basis.

The unaudited pro forma condensed consolidated balance sheet at September 30, 2008 has been prepared to reflect the MLP merger as if the MLP merger occurred on September 30, 2008. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2007 and the nine months ended September 30, 2008 have been prepared assuming the MLP merger occurred on January 1, 2007. The adjustments made in the pro forma condensed consolidated balance sheet have been made to reflect the MLP merger. The adjustments made to the pro forma condensed consolidated statements of operations have been made to reflect the effect of the MLP merger. The following unaudited pro forma condensed consolidated statements of operations do not purport to represent what Lexington Trust s results of operations would actually have been if the MLP merger had in fact occurred as of January 1, 2007 or to project Lexington Trust s results of operations for any future date or period.

The pro forma adjustments are based on available information and on certain assumptions as set forth in the notes to the pro forma condensed consolidated financial statements that we believe are reasonable in the circumstances. The pro forma condensed consolidated financial statements and accompanying notes should be read in conjunction with the historical financial statements and related notes of Lexington Trust and the Partnership, which are each annexed to this joint proxy statement/prospectus, and other documents filed by Lexington and the Partnership with the SEC from time to time. See *Where You Can Find More Information*.

In the opinion of Lexington Trust, all significant adjustments necessary to reflect the effects of the MLP merger that can be factually supported within the SEC regulations covering the preparation of unaudited pro forma financial statements have been made. The pro forma adjustments as presented are based on estimates and certain information that is currently available to management. No estimated overhead savings relating to the MLP merger are reflected in the unaudited pro forma condensed consolidated statements of operations.

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**Lexington Realty Trust**
**Unaudited Pro Forma Condensed Consolidated Balance Sheet**
**September 30, 2008**
**(dollars in thousands)**

| | Lexington Trust (historical) | Pro Forma Merger Adjustments | Pro Forma Adjusted |
|---|---|---|---|
| ***Assets*** | | | |
| Real estate at cost, net | $ 3,396,790 | $ | $ 3,396,790 |
| Properties held for sale discontinued operations | 8,408 | | 8,408 |
| Intangible assets, net | 375,212 | | 375,212 |
| Cash and cash equivalents | 108,039 | | 108,039 |
| Investment in non-consolidated entities | 205,021 | | 205,021 |
| Deferred expenses, net | 37,329 | | 37,329 |
| Notes receivable | 68,631 | | 68,631 |
| Restricted cash | 27,481 | | 27,481 |
| Rent receivable current | 16,630 | | 16,630 |
| Rent receivable deferred | 16,967 | | 16,967 |
| Other assets | 33,824 | | 33,824 |
| Total assets | $ 4,294,332 | $ | $ 4,294,332 |

See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

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**Lexington Realty Trust**
**Unaudited Pro Forma Condensed Consolidated Balance Sheet (continued)**
**September 30, 2008**
**(dollars in thousands)**

| *Liabilities and Shareholders Equity* | Lexington Trust (historical) | Pro Forma Merger Adjustments | Pro Forma Adjusted |
|---|---|---|---|
| Mortgages and notes payable | $ 2,052,955 | $ | $ 2,052,955 |
| Exchangeable notes payable | 299,500 | | 299,500 |
| Trust preferred securities | 129,120 | | 129,120 |
| Contract rights payable | 14,435 | | 14,435 |
| Dividends payable | 28,297 | | 28,297 |
| Liabilities discontinued operations | 902 | | 902 |
| Accounts payable and other liabilities | 33,974 | | 33,974 |
| Accrued interest payable | 10,822 | | 10,822 |
| Deferred revenue below market leases, net | 155,134 | | 155,134 |
| Prepaid rent | 20,352 | | 20,352 |
| Total liabilities | 2,745,491 | | 2,745,491 |
| Minority interests | 624,839 | (529,092) (B) | 95,747 |
| Shareholders equity (C) | 924,002 | 529,092(A) | 1,453,094 |
| Total liabilities and shareholders equity | $ 4,294,332 | $ | $ 4,294,332 |

See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

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**Lexington Realty Trust**
**Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet**
**September 30, 2008**
**(dollars in thousands, except share data)**

In the proposed merger, each holder of a MLP Unit will receive a Common Share of Lexington Trust for each MLP Unit that the unitholder owns immediately prior to the effective date of the MLP merger. Lexington Trust will exchange cash in lieu of any partial shares resulting from the MLP merger. For purposes of the unaudited pro forma condensed consolidated balance sheet, it is assumed that no cash is paid for fractional shares and there are no issuance costs, as they are deemed immaterial.

| | | |
|---|---|---|
| (A) | Shareholders equity | |
| | Minority interest related to MLP Units book value | $ 529,092 |
| (B) | Minority interests | |
| | Minority interest related to MLP Units book value | $ (529,092) |
| (C) | Common Shares issued and outstanding | |

| Lexington Trust (historical) | Pro Forma Merger Adjustments | Pro Forma Adjusted |
|---|---|---|
| 65,666,569 | 34,043,454 | 99,710,023 |

The pro forma merger adjustment amount of 34,043,454 represents the Partnership s minority interest units outstanding as of September 30, 2008. Subsequent to September 30, 2008, and prior to the date of this proxy statement/prospectus, 27,650,188 of those MLP Units were redeemed by the holders for Common Shares.

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**Lexington Realty Trust**
**Unaudited Pro Forma Condensed Consolidated Statement of Operations**
**Year ended December 31, 2007**
**(dollars in thousands, except share and per share data)**

| | Lexington Trust (historical) | Pro Forma Merger Adjustments | Pro Forma Adjusted |
|---|---|---|---|
| Gross revenues: | | | |
| Rental | $ 385,898 | $ | $ 385,898 |
| Advisory and incentive fees | 13,567 | | 13,567 |
| Tenant reimbursements | 32,282 | | 32,282 |
| Total gross revenues | 431,747 | | 431,747 |
| Expenses applicable to revenues: | | | |
| Depreciation and amortization | (236,044) | | (236,044) |
| Property operating | (61,095) | | (61,095) |
| General and administrative | (39,389) | | (39,389) |
| Impairment charges | (15,500) | | (15,500) |
| Non-operating income | 10,726 | | 10,726 |
| Interest and amortization expense | (163,628) | | (163,628) |
| Debt satisfaction charges, net | (1,209) | | (1,209) |
| Loss before provision for income taxes, minority interests, equity in earnings of non-consolidated entities, gains on sale of properties-affiliates and discontinued operations | (74,392) | | (74,392) |
| Provision for income taxes | (3,374) | | (3,374) |
| Minority interests | 2,652 | (2,593) (A) | 59 |
| Equity in earnings of non-consolidated entities | 46,467 | | 46,467 |
| Gains on sale of properties-affiliates | 17,864 | | 17,864 |

| | | | |
|---|---|---|---|
| Loss from continuing operations | $ (10,783) | $ (2,593) | $ (13,376) |
| Loss from continuing operations per common share basic | $ (0.58) | $ | $ (0.40) |
| Loss from continuing operations per common share diluted | $ (0.58) | $ | $ (0.40) |
| Weighted average shares outstanding basic | 64,910,123 | 34,530,028(B) | 99,440,151 |
| Weighted average shares outstanding diluted | 64,910,123 | 34,530,028(B) | 99,440,151 |

See accompanying notes to the unaudited pro forma condensed consolidated statement of operations.

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**Lexington Realty Trust**
**Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations**
**Year ended December 31, 2007**
**(dollars in thousands, except share data)**

| | | | |
|---|---|---|---|
| (A) | Minority Interests | | |
| | Adjustments for minority interest partners share of loss of the Partnership for the year ended December 31, 2007. | $ | (2,593) |
| (B) | Weighted Average Shares Outstanding Basic and Diluted | | |
| | Minority interest s weighted average MLP Units | | 34,530,028 |

For earnings per share calculations, all incremental shares are considered anti-dilutive for periods that have a loss from continuing operations applicable to common shareholders in accordance with Financial Accounting Standards Board Statement No. 128 *Earnings per Share*, which we refer to as SFAS No. 128.

Subsequent to September 30, 2008 and prior to the date of this proxy statement/prospectus, 27,650,188 MLP of those Units were redeemed by the holders for Common Shares.

**Lexington Realty Trust**
**Unaudited Pro Forma Condensed Consolidated Statement of Operations**
**Nine months ended September 30, 2008**
**(dollars in thousands, except share and per share data)**

| | Lexington Trust (historical) | Pro Forma Merger Adjustments | Pro Forma Adjusted |
|---|---|---|---|
| Gross revenues: | | | |
| Rental | $ 308,382 | $ | $ 308,382 |
| Advisory and incentive fees | 1,072 | | 1,072 |
| Tenant reimbursements | 31,178 | | 31,178 |
| Total gross revenues | $ 340,632 | | $ 340,632 |
| Expenses applicable to revenues: | | | |
| Depreciation and amortization | (191,596) | | (191,596) |
| Property operating | (60,804) | | (60,804) |
| General and administrative | (25,468) | | (25,468) |
| Non-operating income | 22,599 | | 22,599 |
| Interest and amortization expense | (120,519) | | (120,519) |
| Debt satisfaction gains, net | 39,020 | | 39,020 |
| Gains on sale of properties-affiliates | 31,806 | | 31,806 |
| Income before provision for income taxes, minority interests, equity in losses of non-consolidated entities and discontinued operations | 35,670 | | 35,670 |
| Provision for income taxes | (2,636) | | (2,636) |
| Minority interests | 5,372 | (15,302) (A) | (9,930) |
| Equity in losses of non-consolidated entities | (23,171) | | (23,171) |
| Income (loss) from continuing operations | $ 15,235 | $ (15,302) | $ (67) |

| | | | | |
|---|---|---|---|---|
| Income (loss) from continuing operations per common share basic | $ | 0.01 | $ | $ (0.15) |
| Loss from continuing operations per common share diluted | $ | (0.14) | $ | $ (0.15) |
| Weighted average shares outstanding basic | | 61,485,277 | 34,138,662(B) | 95,623,939 |
| Weighted average shares outstanding diluted | | 101,789,804 | (6,165,865) (C) | 95,623,939 |

See accompanying notes to unaudited pro forma condensed consolidated statement of operations.

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**Lexington Realty Trust**
**Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations**
**Nine months ended September 30, 2008**
**(dollars in thousands, except share data)**

| | | |
|---|---|---|
| (A) | Minority interests<br>Adjustments for minority interest partners share of loss of the Partnership for the nine months ended September 30, 2008. | $ (15,302) |
| (B) | Weighted Average Shares Outstanding Basic<br>Minority interest s weighted average MLP Units | 34,138,662 |
| (C) | Weighted Average Shares Outstanding Diluted<br>Adjustment to historical weighted average shares outstanding | (6,165,865) |

For earnings per share calculations, all incremental shares are considered anti-dilutive for periods that have a loss from continuing operations applicable to common shareholders in accordance with SFAS No. 128.

In addition and as a result of the pro forma adjustments, there is a pro forma loss from continuing operations, and certain operating partnership units and preferred shares that were dilutive in the historical calculation are not considered dilutive in the pro forma calculation.

**Annex A**

# AGREEMENT AND PLAN OF MERGER

**by and among**

**LEXINGTON REALTY TRUST**

**and**

**THE LEXINGTON MASTER LIMITED PARTNERSHIP**

**Dated as of November 24, 2008**

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## AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this Agreement), dated as of November 24, 2008, is made by and between Lexington Realty Trust, a Maryland real estate investment trust (the Company), and The Lexington Master Limited Partnership, a Delaware limited partnership (the MLP).

## RECITALS

WHEREAS, the parties wish to effect a business combination through a merger of the MLP with and into the Company (the MLP Merger) on the terms and subject to the conditions set forth in this Agreement and in accordance with Section 17-211 of the Delaware Revised Uniform Limited Partnership Act, as amended (the DRULPA) and Section 8-501.1 of the Corporations and Associations Articles of the Annotated Code of Maryland, as amended (the Maryland REIT Law);

WHEREAS, each of the Board of Trustees of the Company (the Company Board) and the general partner of the MLP (the General Partner) has approved the MLP Merger on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the General Partner is a wholly-owned subsidiary of the Company;

WHEREAS, the Company Board (including all of the independent trustees) has determined that this Agreement, the MLP Merger and the other transactions contemplated by this Agreement are fair to, advisable and in the best interests of the Company and the holders of Common Shares, and has unanimously voted to approve this Agreement and the MLP Merger;

WHEREAS, the General Partner has determined that this Agreement, the MLP Merger and the other transactions contemplated by this Agreement are fair to, advisable and in the best interests of the MLP and its partners, and has approved this Agreement, and recommended acceptance and approval by the limited partners of the MLP of this Agreement, the MLP Merger and the other transactions contemplated by this Agreement; and

WHEREAS, the parties hereto desire to make certain representations, warranties, covenants and agreements in connection with the MLP Merger, and also to prescribe various conditions to such transactions.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

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ARTICLE I
DEFINITIONS

SECTION 1.01. Specific Definitions.

For purposes of this Agreement:

Business Day means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings, or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in New York, New York.

Common Shares means the shares of beneficial interest classified as common stock, par value $0.0001 per share, of the Company.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Liens means with respect to any asset (including any security), any mortgage, claim, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

Limited Partner Approval means the approval of limited partners of the MLP contemplated by Section 8.03(a).

Material Adverse Effect means any event, circumstance, change or effect that is materially adverse to the financial condition or results of operations of the Company or the MLP, as applicable.

MLP Special Meeting means the special meeting of limited partners of the MLP at which such holders vote to determine whether the Limited Partner Approval is granted.

MLP Units means common units of limited partner interests in the MLP.

NYSE means the New York Stock Exchange.

Person means an individual, corporation, partnership, limited partnership, limited liability company, syndicate, person (including, without limitation, a person as defined in Section 13(d)(3) of the Exchange Act, trust, association or entity or government, political subdivision, agency or instrumentality of a government.

SEC means the United States Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended.

Taxes means any and all taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority (defined herein) or taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchise, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers compensation, unemployment compensation or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value-added or gains taxes; license, registration and documentation fees; and customers duties, tariffs and similar charges.

Tax Return means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

SECTION 1.02. Other Definitions.

The following terms are defined in the sections indicated below:

Articles of Merger Section 2.05
Blue Sky Laws Section 4.03(b)
Certificate of Merger Section 2.05
Closing Section 2.06
Closing Date Section 2.06
Company Board Recitals
Company Declaration of Trust Section 4.01
Delaware Secretary of State Section 2.05
DRULPA Recitals
Effective Time Section 2.05
Exchange Agent Section 3.02
GAAP Section 4.05(b)
General Partner Recitals
Governmental Authority Section 4.03(b)
Interim Period Section 6.01
Law Section 4.03(a)
Maryland REIT Law Recitals
Merger Consideration Section 3.01(a)
MLP Certificate of Limited Partnership Section 5.01
MLP Merger Recitals
MLP Merger Proxy Statement Section 7.02(a)
Registration Statement Section 7.02(a)
SEC Reports Section 4.05(a)
SDAT Section 2.05
Surviving Entity Section 2.01
Termination Date Section 9.01
Transfer Taxes Section 7.04

ARTICLE II

THE MERGER

SECTION 2.01. MLP Merger.

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Subject to the terms and conditions of this Agreement, and in accordance with the DRULPA and the Maryland REIT Law, at the Effective Time, the MLP and the Company shall consummate the MLP Merger pursuant to which (i) the MLP shall be merged with and into the Company and the separate existence of the MLP shall thereupon cease and (ii) the Company shall be the surviving entity in the MLP Merger (the Surviving Entity ). The MLP Merger shall have the effects specified in the DRULPA and the Maryland REIT Law.

SECTION 2.02. Declaration of Trust.

As of the Effective Date, the Declaration of Trust of the Company immediately prior to the Effective Date shall be the Declaration of Trust of the Surviving Entity, until thereafter amended as provided by law or in such Declaration of Trust.

SECTION 2.03. By-laws.

The By-Laws of the Company as in effect at the Effective Date shall be the By-Laws of the Surviving Entity, until thereafter amended or repealed as provided by law.

SECTION 2.04. Trustees and Officers of the Surviving Entity.

The trustees of the Company at the Effective Date shall, from and after the Effective Date, be the trustees of the Surviving Entity and shall continue to hold office from the Effective Date until their respective successors are duly elected or appointed and qualified in the manner provided in the Declaration of Trust and By-Laws of the Surviving Entity, or as otherwise provided by applicable law. The officers of the Company at the Effective Date shall, from and after the Effective Date, be the officers of the Surviving Entity.

SECTION 2.05. Effective Time.

(a) At the Closing, the MLP and the Company shall duly execute and file (i) articles of merger (the Articles of Merger ) with the State Department of Assessments and Taxation of Maryland (the SDAT ) in accordance with the Maryland REIT Law and (ii) a certificate of merger (the Certificate of Merger ) with the Secretary of State of the State of Delaware (the Delaware Secretary of State ) in accordance with the DRULPA. The MLP Merger shall become effective at such time as the Articles of Merger have been accepted for record by the SDAT and the Certificate of Merger has been accepted for record by the Delaware Secretary of State, or such later time which the parties hereto shall have agreed upon and designated in the Articles of Merger in accordance with the Maryland REIT Law and the Certificate of Merger in accordance with the DRULPA as the effective time of the MLP Merger (the Effective Time ).

SECTION 2.06. Closing.

The closing of the MLP Merger (the Closing ) shall occur as promptly as practicable (but in no event later than the second Business Day) after all of the conditions set forth in Article VIII (other than conditions which are waived or by their terms are required to be satisfied at the Closing) shall have been satisfied or waived by the party entitled to the benefit of the same, and, subject to the foregoing, shall take place at such time and on a date to be specified by the parties (the "Closing Date"). The Closing shall take place at the offices of the Company, One Penn Plaza, Suite 4015, New York, New York, or at such other place as agreed to by the parties hereto.

ARTICLE III

EFFECT OF THE MERGER

SECTION 3.01. Conversion of MLP Units.

As of the Effective Time, by virtue of the MLP Merger and without any action on the part of the holders of MLP Units:

(a) Subject to Section 3.03, each issued and outstanding MLP Units, other than MLP Units owned by the Company, shall be exchanged for Common Shares on a one for one basis; provided, that fractional MLP Units shall be exchanged for cash in an amount equal to such fraction times the average of the closing price of a Common Share on the New York Stock Exchange, as reported in The Wall Street Journal, for the 20 consecutive trading days immediately preceding the Closing (collectively, the "Merger Consideration"). Notwithstanding the foregoing, if between the date hereof and the Effective Time the Common Shares or MLP Units are changed into a different number of shares/units or a different class, because of any share dividend/unit distribution, subdivision, reclassification, recapitalization, split, combination or exchange of shares/units, the Merger Consideration shall be correspondingly adjusted to reflect such share dividend/unit distribution, subdivision, reclassification, recapitalization, split, combination or exchange of shares/units.

(b) Upon the Closing, all MLP Units shall be retired, shall cease to be outstanding and shall automatically be cancelled, and the holder of an MLP Unit shall cease to have any rights with respect thereto.

(c) The MLP Merger shall not affect any of the Common Shares or any other share of beneficial interest of the Company issued and outstanding immediately prior to the Effective Time. All such beneficial interests shall remain issued and outstanding with no change thereto.

SECTION 3.02. Surrender and Payment.

The Company shall authorize one or more transfer agent(s) to act as Exchange Agent hereunder (the "Exchange Agent") with respect to the MLP Merger. At or prior to the Effective Time, the Company shall deposit with the Exchange Agent for the benefit of the holders of MLP Units, for exchange in accordance with this Section 3.02 through the Exchange Agent, certificates representing the Common Shares issuable pursuant to Section 3.01. The Company agrees to make available directly or indirectly to the Exchange Agent, from time to time as needed, cash sufficient to pay cash in lieu of any fractional MLP Units pursuant to Section 3.01. The Exchange Agent shall, pursuant to irrevocable instructions, deliver the applicable Merger Consideration in exchange for MLP Units pursuant to Section 3.01.

SECTION 3.03. Withholding Rights.

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The Surviving Entity or the Exchange Agent, as applicable, shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of MLP Units such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Surviving Entity or the Exchange Agent, as applicable, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of MLP Units in respect of which such deduction and withholding was made by the Surviving Entity or the Exchange Agent, as applicable.

SECTION 3.04. Appraisal Rights.

No objectors or appraisal rights shall be available with respect to the MLP Merger or the other transactions contemplated hereby.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the MLP as follows:

SECTION 4.01. Existence; Good Standing; Authority; Compliance with Law.

The Company is a real estate investment trust duly formed, validly existing and in good standing under the laws of the State of Maryland. The declaration of trust of the Company (the Company Declaration of Trust ) is in effect and no dissolution, revocation or forfeiture proceedings regarding the Company have been commenced. The Company is duly qualified or licensed to do business as a foreign entity and is in good standing under the Laws of any other jurisdiction in which the character of the properties owned, leased or operated by it therein or in which the transaction of its business makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed would not have a Material Adverse Effect. The Company has all requisite trust power and authority to own, lease and operate its properties and to carry on its businesses as now conducted and proposed by the Company to be conducted.

SECTION 4.02. Authority Relative to this Agreement.

(a) The Company has all necessary trust power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. No other trust proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby and thereby (other than to the extent required by Law, the acceptance for record by the SDAT of the Articles of Merger). This Agreement has been duly and validly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by the MLP, constitutes a valid, legal and binding agreement of the Company, enforceable against the Company in accordance with and subject to its terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors rights or by general equity principles.

(b) The Company Board has duly and validly authorized the execution and delivery of this Agreement and approved the consummation of the MLP Merger and the other transactions contemplated hereby and taken all real estate investment trust actions required to be taken by the Company Board for the consummation of the MLP Merger and the other transactions contemplated hereby (other than to the extent required by Law and the acceptance for record by the SDAT of the Articles of Merger).

(d) The Company has taken all necessary action to permit it to issue the number of Common Shares required to be issued by it pursuant to this Agreement. Common Shares issued pursuant to this Agreement will, when issued, be validly issued, fully paid and nonassessable and no Person will have any preemptive right of subscription or purchase in respect thereof. Common Shares will, when issued, be registered under the Securities Act and the Exchange Act and registered or exempt from registration under any applicable state securities laws and will, when issued, be listed on the NYSE, subject to official notice of issuance.

SECTION 4.03. No Conflict; Required Filings and Consents.

(a) The execution and delivery by the Company of this Agreement do not, and the performance of its obligations hereunder will not, (i) conflict with or violate the organizational documents of the Company, (ii) assuming that all consents, approvals, authorizations and other actions described in subsection (b) have been obtained and all filings and obligations described in subsection (b) have been made, conflict with or violate any foreign or domestic statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order ( Law ) applicable to the Company or by which any property or asset of the Company is bound or affected, or (iii) result in any breach of, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien or other encumbrance on any property or asset of the Company, or result in any increase in any cost or obligation of the Company or the loss of any benefit of the Company, pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company is a party or by which the Company or any of its properties or assets is bound or affected, except, with respect to clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not have a Material Adverse Effect.

(b) The execution and delivery by the Company of this Agreement do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any United States federal, state, county or local or any foreign government, governmental, regulatory or administrative authority, agency, instrumentality or commission or any court, tribunal, or judicial or arbitral body (a Governmental Authority ), except (i) for (A) applicable requirements, if any, of the Securities Act, the Exchange Act, state securities or blue sky laws ( Blue Sky Laws ) and state takeover Laws, (B) the filing with the SEC of the MLP Merger Proxy Statement, (C) any filings required under the rules and regulations of the NYSE, and (D) the filing of the Articles of Merger with, and the acceptance for record thereof by, the SDAT, and the Certificate of Merger with, and the

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acceptance for record thereof by, the Delaware Secretary of State, and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not have a Material Adverse Effect.

SECTION 4.04. Compliance.

The Company is not in conflict with, or in default, breach or violation of, (i) any Law applicable to the Company or by which any of its properties or assets is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company is a party or by which the Company or any of its properties or assets is bound, except for any such conflicts, defaults, breaches or violations that would not have a Material Adverse Effect.

SECTION 4.05. SEC Filings; Financial Statements.

(a) The Company has filed all forms, reports and documents (including all exhibits) required to be filed by it with the SEC (the SEC Reports ) since January 1, 2004. The SEC Reports filed by the Company, each as amended prior to the date hereof, (i) have been prepared in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, except where the failure to comply with such requirements would not have a Material Adverse Effect, and (ii) did not, when filed as amended prior to the date hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports was prepared in accordance with United States generally accepted accounting principles ( GAAP ) applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented, in all material respects, the consolidated financial position, results of operations and cash flows of the Company and its consolidated subsidiaries, as at the respective dates thereof and for the respective periods indicated therein except as otherwise noted therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments).

SECTION 4.06. Absence of Certain Changes or Events.

Except as set forth in the SEC Reports, the Company has conducted its business in the ordinary course and there has not occurred any changes, effects or circumstances constituting a Material Adverse Effect.

SECTION 4.07. Taxes.

(a) Commencing with its taxable year ended December 31, 1993, the Company has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and its proposed method of operation will enable the Company to continue to meet the requirements for qualification and taxation as a REIT under the Code. To the Company s Knowledge, no challenge to the Company s status as a REIT is pending or is or has been threatened.

(b) The Company (1) has filed all federal, state, local and foreign Tax Returns required to be filed by them (after giving effect to any filing extensions properly obtained) and all such Tax Returns are correct and complete in all material respects, (2) has paid and discharged all Taxes shown as due on such Tax Returns or otherwise required to be paid, and (3) has complied in all material respects with all applicable Tax laws requiring the withholding or collection of Taxes, other than in each case, (i) such payments as are being contested in good faith by appropriate proceedings and (ii) such filings, payments or other occurrences that would not have a Material Adverse Effect. There are no currently effective or otherwise outstanding waivers or extensions of any applicable statute of limitations to assess any Taxes.

SECTION 4.08. Brokers.

No broker, finder or investment banker is entitled to any brokerage, finder s or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Company.

SECTION 4.09. Compliance with Laws.

The Company has not violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment, decree or order of any Governmental Entity applicable to its business, properties or operations, except in each case to the extent that such violation or failure would not reasonably be expected to have a Material Adverse Effect.

SECTION 4.10. No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article IV of this Agreement, the MLP acknowledges that neither the Company nor any other Person on behalf of the Company has made, and the MLP has not relied upon any representation or warranty, whether express or implied, with respect to the Company or its business, affairs, assets, liabilities, financial condition, results of operations or prospects or with respect to the accuracy or completeness of any other information provided or made available to the MLP by or on behalf of the Company. Neither the Company nor any other Person will have or be subject to any liability or indemnification obligation to the MLP or any other Person resulting from the distribution in written or verbal communications to the MLP, or use by the MLP of any such information, including any information, documents, projections, forecasts or other material made available to the MLP, confidential information memoranda or management interviews and presentations in expectation of the transactions contemplated by this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE MLP

The MLP hereby represents and warrants to the Company as follows:

SECTION 5.01. Existence; Good Standing; Authority; Compliance with Law.

The MLP is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware. The certificate of limited partnership of the

MLP (the "MLP Certificate of Limited Partnership") is in effect and no dissolution, revocation or forfeiture proceedings regarding the MLP have been commenced. The MLP is duly qualified or licensed to do business as a foreign entity and is in good standing under the Laws of any other jurisdiction in which the character of the properties owned, leased or operated by it therein or in which the transaction of its business makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed would not have a Material Adverse Effect. The MLP has all requisite partnership power and authority to own, lease and operate its properties and to carry on its businesses as now conducted and proposed by the MLP to be conducted.

SECTION 5.02. Authority Relative to this Agreement.

(a) The MLP has all necessary partnership power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. No other partnership proceedings on the part of the MLP are necessary to authorize this Agreement or to consummate the transactions contemplated hereby and thereby (other than to the extent required by Law, the acceptance for record by the Delaware Secretary of State of the Certificate of Merger). This Agreement has been duly and validly executed and delivered by the MLP and, assuming due authorization, execution and delivery hereof by the Company, constitutes a valid, legal and binding agreement of the MLP, enforceable against the MLP in accordance with and subject to its terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors' rights or by general equity principles.

(b) The General Partner has duly and validly authorized the execution and delivery of this Agreement and approved the consummation of the MLP Merger and the other transactions contemplated hereby and taken all real estate investment trust actions required to be taken by the General Partner for the consummation of the MLP Merger and the other transactions contemplated hereby.

SECTION 5.03. No Conflict; Required Filings and Consents.

(a) The execution and delivery by the MLP of this Agreement do not, and the performance of its obligations hereunder will not, (i) conflict with or violate the organizational documents of the MLP, (ii) assuming that all consents, approvals, authorizations and other actions described in subsection (b) have been obtained and all filings and obligations described in subsection (b) have been made, conflict with or violate any Law applicable to the MLP or by which any property or asset of the MLP is bound or affected, or (iii) result in any breach of, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien or other encumbrance on any property or asset of the MLP, or result in any increase in any cost or obligation of the MLP or the loss of any benefit of the MLP, pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the MLP is a party or by which the MLP or any of its properties or assets is bound or affected, except, with respect to clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not have a Material Adverse Effect.

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(b) The execution and delivery by the MLP of this Agreement do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, except (i) for (A) applicable requirements, if any, of the Securities Act, the Exchange Act, Blue Sky Laws and state takeover Laws, (B) the filing with the SEC of the MLP Merger Proxy Statement, (C) any filings required under the rules and regulations of the NYSE, and (D) the filing of the Articles of Merger with, and the acceptance for record thereof by, the SDAT, and the Certificate of Merger with, and the acceptance for record thereof by, the Delaware Secretary of State, and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not have a Material Adverse Effect.

SECTION 5.04. Compliance.

The MLP is not in conflict with, or in default, breach or violation of, (i) any Law applicable to the MLP or by which any of its properties or assets is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the MLP is a party or by which the MLP or assets is bound, except for any such conflicts, defaults, breaches or violations that would not have a Material Adverse Effect.

SECTION 5.05. SEC Filings; Financial Statements.

(a) The MLP has filed all SEC Reports required to be filed by it with the SEC since January 1, 2004. The SEC Reports filed by the MLP, each as amended prior to the date hereof, (i) have been prepared in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, except where the failure to comply with such requirements would not have a Material Adverse Effect, and (ii) did not, when filed as amended prior to the date hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports was prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented, in all material respects, the consolidated financial position, results of operations and cash flows of the MLP and its consolidated subsidiaries, as at the respective dates thereof and for the respective periods indicated therein except as otherwise noted therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments).

SECTION 5.06. Absence of Certain Changes or Events.

Except as set forth in the SEC Reports, the MLP has conducted its business in the ordinary course and there has not occurred any changes, effects or circumstances constituting a Material Adverse Effect.

SECTION 5.07. Taxes.

(a) The MLP (1) has filed all federal, state, local and foreign Tax Returns required to be filed by them (after giving effect to any filing extensions properly obtained) and all such Tax Returns are correct and complete in all material respects, (2) has paid and discharged all Taxes shown as due on such Tax Returns or otherwise required to be paid, and (3) has complied in all material respects with all applicable Tax laws requiring the withholding or collection of Taxes, other than in each case, (i) such payments as are being contested in good faith by appropriate proceedings and (ii) such filings, payments or other occurrences that would not have a Material Adverse Effect. There are no currently effective or otherwise outstanding waivers or extensions of any applicable statute of limitations to assess any Taxes.

(b) Neither the MLP nor the General Partner is subject, directly or indirectly, to any Tax Protection Agreements.

SECTION 5.08. Brokers.

No broker, finder or investment banker is entitled to any brokerage, finder s or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the MLP.

SECTION 5.09. Compliance with Laws.

The MLP has not violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment, decree or order of any Governmental Entity applicable to its business, properties or operations, except in each case to the extent that such violation or failure would not reasonably be expected to have a Material Adverse Effect.

SECTION 5.10. No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article V of this Agreement, the Company acknowledges that neither the MLP nor any other Person on behalf of the MLP has made, and the Company has not relied upon any representation or warranty, whether express or implied, with respect to the MLP or its business, affairs, assets, liabilities, financial condition, results of operations or prospects or with respect to the accuracy or completeness of any other information provided or made available to the Company by or on behalf of the MLP. Neither the MLP nor any other Person will have or be subject to any liability or indemnification obligation to the Company or any other Person resulting from the distribution in written or verbal communications to the Company, or use by the Company of any such information, including any information, documents, projections, forecasts or other material made available to the Company, confidential information memoranda or management interviews and presentations in expectation of the transactions contemplated by this Agreement.

ARTICLE VI

CONDUCT OF BUSINESS PENDING THE CLOSING

SECTION 6.01. Conduct of Business by the Company.

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Except as otherwise contemplated by this Agreement, during the period commencing on the date hereof and terminating on the earlier to occur of the Effective Time and the termination of this Agreement pursuant to and in accordance with Article IX (the Interim Period ), the Company shall (i) conduct the Company s business in the ordinary course, and (ii) use commercially reasonable efforts to maintain the assets and properties of the Company in their current condition, normal wear and tear and damage caused by casualty or by any reason outside of the Company s control excepted.

SECTION 6.02. Conduct of Business by the MLP.

Except as otherwise contemplated by this Agreement, during the Interim Period, the MLP shall (i) conduct the MLP s business in the ordinary course, and (ii) use commercially reasonable efforts to maintain the assets and properties of the MLP in their current condition, normal wear and tear and damage caused by casualty or by any reason outside of the MLP s control excepted.

ARTICLE VII

ADDITIONAL AGREEMENTS

SECTION 7.01. MLP Special Meeting.

(a) The MLP, acting through the General Partner, shall, in accordance with applicable Law and the Partnership Agreement, (a) duly call, give notice of, convene and hold the MLP Special Meeting as promptly as reasonably practicable after the date that the MLP Merger Proxy Statement is cleared by the SEC and (b) except as is reasonably likely to be required by the General Partner s duties under applicable Law, (i) include in the MLP Merger Proxy Statement the recommendation of the General Partner that the holders of MLP Units approve the MLP Merger and (ii) use its reasonable efforts to obtain the Limited Partner Approval.

SECTION 7.02. MLP Merger Proxy Statement.

(a) As promptly as practicable following the date hereof, the Company and the MLP shall cooperate in preparing and shall cause to be filed with the SEC mutually acceptable proxy materials that shall constitute the proxy statement/prospectus relating to the matters to be submitted to holders of MLP Units at the MLP Special Meeting (such proxy statement/prospectus, and any amendments or supplements thereto, the MLP Merger Proxy Statement ) and the Company shall prepare and file with the SEC a registration statement on Form S-4 (of which the MLP Merger Proxy Statement will be a part) (the Registration Statement ). The MLP and the Company shall use their reasonable best efforts to cause the Registration Statement to become effective under the Securities Act as soon after such filing as practicable and to keep the Registration Statement effective as long as is necessary to consummate the MLP Merger. All correspondence and communications to the SEC made by the Company or the MLP with respect to the transactions contemplated by this Agreement, will be provided to the other party with an opportunity to review and comment thereon, prior to such communication or correspondence being made to the SEC, and all other correspondence or communication made to the SEC by the Company shall be

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provided to the MLP at the time of submission to the SEC. The Company and the MLP shall use their reasonable best efforts to cause the MLP Merger Proxy Statement to be mailed to the holders of MLP Units as promptly as practicable after filing the MLP Merger Proxy Statement with the SEC and receiving clearance from the SEC with respect to such MLP Merger Proxy Statement.

(b) The MLP and the Company shall make all necessary filings with respect to the MLP Merger and the transactions contemplated thereby under the Securities Act and the Exchange Act and applicable Blue Sky Laws and the rules and regulations thereunder. No amendment or supplement to the MLP Merger Proxy Statement or the Registration Statement shall be filed without the approval of both parties hereto, which approval shall not be unreasonably withheld or delayed; provided that, with respect to documents filed by a party which are incorporated by reference in the MLP Merger Proxy Statement or the Registration Statement, this right of approval shall apply only with respect to information relating to the other party and its affiliates, their business, financial condition or results of operations or the transactions contemplated hereby.

SECTION 7.03. Reasonable Best Efforts.

Each of the parties hereto agrees to cooperate and use its reasonable best efforts to defend through litigation on the merits any action, including administrative or judicial action, asserted by any party in order to avoid the entry of, or to have vacated, lifted, reversed, terminated or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that in whole or in part restricts, delays, prevents or prohibits consummation of the MLP Merger, including, without limitation, by vigorously pursuing all available avenues of administrative and judicial appeal.

SECTION 7.04. Transfer Taxes.

The MLP and the Company shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer or stamp taxes, any transfer, recording, registration and other fees and any similar taxes that become payable in connection with the transactions contemplated by this Agreement (together with any related interests, penalties or additions to Tax, Transfer Taxes ), and shall cooperate in attempting to minimize the amount of Transfer Taxes. From and after the Effective Time, the Surviving Entity shall pay or cause to be paid, without deduction or withholding from any consideration or amounts payable to the holders of MLP Units, all Transfer Taxes.

ARTICLE VIII

CONDITIONS

SECTION 8.01. Conditions to the Obligations of Each Party.

The obligations of each of the Company and the MLP to effect the MLP Merger shall be subject to the satisfaction, at or prior to the Closing, of the following conditions:

(a) No Order. No Governmental Authority in the United States shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the MLP Merger illegal or otherwise restricting, preventing or prohibiting consummation of the MLP Merger; and

(b) Registration Statement. The Registration Statement shall be effective at the Effective Time, and no stop order suspending effectiveness of the Registration Statement shall have been issued; no action, suit, proceeding or investigation by the SEC to suspend the effectiveness thereof shall have been initiated and be continuing; and all necessary approvals under Blue Sky Laws or the Securities Act or Exchange Act relating to the issuance or trading of the Common Shares to be issued in the MLP Merger shall have been received.

SECTION 8.02. Conditions to the Obligations of the MLP.

The obligations of the MLP to consummate the MLP Merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of the Company in this Agreement that (i) are not made as of a specific date shall be true and correct in all material respects (without giving effect to any limitation as to materiality set forth therein) as of the date of this Agreement and as of the Closing, as though made on and as of the Closing, and (ii) are made as of a specific date shall be true and correct (without giving effect to any limitation as to materiality set forth therein) as of such date, in each case except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) would not have a Material Adverse Effect;

(b) Agreements and Covenants. The Company shall have performed, in all material respects, all obligations and complied with, in all material respects, all agreements and covenants to be performed and complied with by it under this Agreement on or prior to the Closing; and

(c) No Material Adverse Effect. There shall not have occurred any event, circumstance, change or effect that individually or in the aggregate has had or is reasonably likely to have a Material Adverse Effect with respect to the Company.

SECTION 8.03. Conditions to the Obligations of the Company.

The obligations of the Company to consummate the MLP Merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

(a) Limited Partner Approval. The MLP Merger shall have been approved and adopted by the affirmative vote of at least a majority of each class of MLP Units in accordance with the DRULPA and the Partnership Agreement;

(b) Representations and Warranties. The representations and warranties of the MLP in this Agreement that (i) are not made as of a specific date shall be true and correct in all material respects (without giving effect to any limitation as to materiality set forth therein) as

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of the date of this Agreement and as of the Closing, as though made on and as of the Closing, and (ii) are made as of a specific date shall be true and correct (without giving effect to any limitation as to materiality set forth therein) as of such date, in each case except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) would not have a Material Adverse Effect;

(c) Agreements and Covenants. The MLP shall have performed, in all material respects, all obligations and complied with, in all material respects, all agreements and covenants to be performed and complied with by it under this Agreement on or prior to the Closing; and

(d) No Material Adverse Effect. There shall not have occurred any event, circumstance, change or effect that individually or in the aggregate has had or is reasonably likely to have a Material Adverse Effect with respect to the MLP.

## ARTICLE IX
## TERMINATION

SECTION 9.01. Termination.

This Agreement may be terminated at any time prior to the Effective Time in writing (the date of any such termination, the Termination Date ):

(a) by the mutual written consent of the MLP and the Company;

(b) by either the Company or the MLP by written notice to the other party if any Governmental Authority with jurisdiction over such matters shall have issued a governmental order permanently restraining, enjoining or otherwise prohibiting the MLP Merger, and such governmental order shall have become final and unappealable; provided, however, that the terms of this Section 9.01(b) shall not be available to any party unless such party shall have used its reasonable best efforts to oppose any such governmental order or to have such governmental order vacated or made inapplicable to the MLP Merger; or

(c) by the Company, if the Limited Partner Approval is not obtained at the MLP Special Meeting.

SECTION 9.02. Effect of Termination.

In the event of termination of this Agreement and abandonment of the MLP Merger and the other transactions contemplated by this Agreement pursuant to and in accordance with Section 9.01, this Agreement shall forthwith become void and of no further force or effect whatsoever and there shall be no liability on the part of any party, or their respective officers, directors, trustees, subsidiaries or partners, as applicable, to this Agreement; provided, however, that nothing contained in this Agreement shall relieve any party to this Agreement from any liability resulting from or arising out of any material breach of any agreement or covenant hereunder; provided, further, that notwithstanding the foregoing, the covenants and other obligations under this Agreement shall terminate upon the termination of this Agreement, except that the agreements set forth in Section 9.03, Section 10.07, Section 10.08 and Section 10.09 shall survive termination indefinitely. If this Agreement is terminated as provided herein, all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other person to which they were made.

SECTION 9.03. Fees and Expenses.

(a) All costs and expenses incurred in connection with this Agreement or the transactions contemplated hereby shall be paid by the party incurring such expenses, whether or not the transactions contemplated by this Agreement are consummated.

ARTICLE X

GENERAL PROVISIONS

SECTION 10.01. Non-Survival of Representations and Warranties.

The representations and warranties in this Agreement shall terminate at the Closing or upon the earlier termination of this Agreement.

SECTION 10.02. Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person or by a recognized overnight courier service to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

if to MLP:

The Lexington Master Limited Partnership
One Penn Plaza
Suite 4015
New York, NY 10119-4015
Fax No: (212) 594-6600
Attn: General Partner

if to the Company:

Lexington Realty Trust
One Penn Plaza, Suite 4015
New York, New York 10119-4015
Fax: (212) 594-6600
Attention: General Counsel

SECTION 10.03. Severability.

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this

Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 10.04. Amendment.

This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 10.05. Entire Agreement; Assignment.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and thereof. This Agreement shall not be assigned by operation of law or otherwise (except to the Surviving Entity).

SECTION 10.06. Parties in Interest.

This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 10.07. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

SECTION 10.08. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York; provided, however, that to the extent required by the Laws of the State of Maryland or the Laws of the State of Delaware, the MLP Merger shall be governed by, and construed in accordance with such Laws, as applicable, regardless of the Laws that might otherwise govern under applicable principles of conflict of Laws thereof. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined exclusively in any New York, Maryland or Delaware (as applicable) state or federal court. The parties hereto hereby (a) submit to the exclusive jurisdiction of any New York, Maryland or Delaware (as applicable) state or federal court, for the purpose of any action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts.

SECTION 10.09. Waiver of Jury Trial.

Each of the parties hereto hereby waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement or the transactions contemplated hereby.

SECTION 10.10. Headings.

The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.11. Counterparts.

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 10.12. Mutual Drafting.

Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations between the parties.

**[SIGNATURE PAGE FOLLOWS]**

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

THE LEXINGTON MASTER LIMITED PARTNERSHIP

By: Lex GP-1 Trust, its sole general partner

By /s/ Brendan P. Mullinix

Name: Brendan P. Mullinix
Title: Executive Vice President

LEXINGTON REALTY TRUST

By /s/ Natasha Roberts

Name: Natasha Roberts
Title: Executive Vice President

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# ANNEX B
## Information Concerning Lexington Trust

Annex B

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**
**FORM 10-K**

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2007**

**or**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 1-12386**
**LEXINGTON REALTY TRUST**
**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Maryland** | **13-3717318** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **One Penn Plaza, Suite 4015** | |
| **New York, NY** | **10119-4015** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant s telephone number, including area code (212) 692-7200**

**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of Each Class** | **Name of Each Exchange on which Registered** |
|---|---|
| **Common Shares of beneficial interests, par value $0.0001** | **New York Stock Exchange** |
| **8.05% Series B Cumulative Redeemable Preferred Stock, par value $0.0001** | **New York Stock Exchange** |
| **6.50% Series C Cumulative Convertible Preferred Stock, par value $0.0001** | **New York Stock Exchange** |
| **7.55% Series D Cumulative Redeemable Preferred Stock, par value $0.0001** | **New York Stock Exchange** |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes þ  No o.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes o  No þ.

Indicate by check mark whether the Registrant:  (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes